FEDERAL HOME LOAN BANKS

Quarterly Combined Financial Report
For the Nine Months Ended September 30, 2008

This Combined Financial Report provides financial information on the Federal Home Loan Banks. Investors should use this Combined Financial Report, together with the other information expressly provided by the Federal Home Loan Banks for this purpose, when considering whether or not to purchase the consolidated obligations—bonds and consolidated obligations—discount notes (collectively referred to in this Combined Financial Report as consolidated obligations) of the Federal Home Loan Banks.

The Securities Act of 1933, as amended, does not require the registration of consolidated obligations. No registration statement has been filed with the Securities and Exchange Commission with respect to the consolidated obligations. None of the Securities and Exchange Commission, the Federal Housing Finance Agency or any State securities commission has approved or disapproved the consolidated obligations or has passed upon the accuracy or adequacy of any offering material.

The consolidated obligations are not obligations of the United States and are not guaranteed by the United States.

Neither this Combined Financial Report nor any offering material provided by the Office of Finance on behalf of the Federal Home Loan Banks concerning any offering of consolidated obligations describes all the risks of investing in consolidated obligations. Prior to investing in consolidated obligations investors should consult their financial and legal advisors about the risks of investing in any particular issue of consolidated obligations.

The financial information contained in this Combined Financial Report is as of and for periods ended on or before September 30, 2008. You should read this Combined Financial Report in conjunction with the 2007 Combined Financial Report dated March 31, 2008. The 2007 Combined Financial Report contains financial and other information about the Federal Home Loan Banks as of and for the periods ended on or before December 31, 2007. These documents are available on the Federal Home Loan Banks Office of Finance web site at: www.fhlb-of.com.

Investors should direct questions about the Federal Home Loan Banks' combined financial reports to the Federal Home Loan Banks Office of Finance, Chief Accounting Officer & Senior Director of Accounting Policy & Financial Reporting. Investors should direct questions about the Federal Home Loan Banks' consolidated obligations to the Federal Home Loan Banks Office of Finance, Marketing & Corporate Communications Division. The address is Federal Home Loan Banks Office of Finance, 1818 Library Street, Suite 200, Reston, VA 20190, (703) 467-3600, and the web site is www.fhlb-of.com. The Office of Finance will provide additional copies of this Combined Financial Report upon request. Please contact the Office of Finance to receive subsequent annual and quarterly combined financial reports.

Investors should not assume, based on the delivery of this Combined Financial Report, that there has been no change in the financial condition of the Federal Home Loan Banks since September 30, 2008.

The date of this Combined Financial Report is December 4, 2008.

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Consolidated obligations issued under the Federal Home Loan Banks' Global Debt Program may be listed on the Euro MTF market of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange has allocated the number 2306 to the Federal Home Loan Banks' Global Debt Program for listing purposes. Under the Federal Home Loan Banks' agreement with the underwriter(s) of a particular series of consolidated obligations, any series of consolidated obligations listed on the Luxembourg Stock Exchange may be delisted if the continuation of the listing has become unduly onerous in the opinion of the issuer, and the issuer has agreed with the underwriter(s) that it will use reasonable efforts to list the consolidated obligations on another stock exchange.

EXPLANATORY STATEMENT ABOUT FHLBANKS COMBINED FINANCIAL REPORT

The Federal Home Loan Banks Office of Finance (Office of Finance) assumed responsibility for the preparation of the combined financial reports of the Federal Home Loan Banks (FHLBanks) in 2001, which previously had been prepared by the Federal Housing Finance Board (Finance Board), the former regulator of the FHLBanks. The Office of Finance does not have the same access to information about the FHLBanks as the Finance Board had, or the new regulator (the Federal Housing Finance Agency (Finance Agency)) has, in its capacity as regulator (the Regulator) of the FHLBanks. See "Notes to Combined Financial Statements (Unaudited)—Background Information" for more information regarding the change in the FHLBanks' regulator. In connection with its responsibilities in preparing combined financial reports, the Office of Finance is responsible for combining the financial information it receives from each of the FHLBanks. Each FHLBank is responsible for the financial information it provides to the Office of Finance and the underlying data it provides to the Office of Finance for inclusion in the combined financial reports.

The combined financial reports of the FHLBanks are intended to be used by investors who invest in the consolidated obligations—bonds and consolidated obligations—discount notes of the FHLBanks. These consolidated obligations are the joint and several obligations of the FHLBanks. This means that each individual FHLBank is responsible to the registered holders of the consolidated obligations for the payment of principal of and interest on all consolidated obligations issued by the FHLBanks.

Even though the consolidated obligations are the joint and several obligations of all of the FHLBanks, each FHLBank is a separately chartered entity. Each has its own board of directors and management. This is the case even though some financial institution holding companies may have one or more affiliates, each of which may be a member of one or more different FHLBanks. There is no system-wide central management of the FHLBanks. All FHLBanks are subject to regulations issued by the Regulator, which periodically examines each FHLBank's operations.

Although each FHLBank has publicly available financial information, the financial information relating to the FHLBanks is presented to investors in consolidated obligations on a "combined" basis in this report because this is considered more convenient for investors than providing financial information on each FHLBank on a stand-alone basis only. Investors should note, however, that this combined presentation describes a combination of assets and liabilities for this purpose only. This combined presentation in no way indicates that these assets and liabilities are under joint management and control. Each individual FHLBank manages its operations independently and with only minimal consideration as to how the transactions it enters into might affect the combined financial results.

In addition, each FHLBank's board of directors and management is responsible for establishing its own accounting and financial reporting policies in accordance with accounting principles generally accepted in the United States of America (GAAP). The FHLBanks' accounting and financial reporting policies and practices are not necessarily always identical because different policies and/or presentations are permitted under GAAP in certain circumstances. However, all 12 FHLBanks' accounting and financial reporting policies conform to GAAP. Statements in this report may be qualified by a term such as "generally," "primarily," "typically" or words of similar meaning to indicate that the statement is generally applicable to all FHLBanks or the kinds of transactions described but which may not be applicable to all 12 FHLBanks as a result of their differing business practices and accounting and financial reporting policies under GAAP. An investor should review available information on individual FHLBanks to obtain more specific information on each FHLBank's business practices and accounting and financial reporting policies.

The FHLBanks occasionally engage in transactions in which one FHLBank transfers its direct liability on outstanding consolidated obligations to another FHLBank that assumes the direct liability on those outstanding consolidated obligations. By engaging in these transactions, two FHLBanks are able to better match their funding needs. Excess funds held by one FHLBank are transferred to another FHLBank that needs those funds. These transfers generally result in costs for the FHLBank that assumes the liability for the debt that are equal to or lower than those available for a similarly-sized transaction in

the capital markets at that time. Because the consolidated obligations are the joint and several obligation of all 12 FHLBanks, these interbank transactions have no effect on the holders of the consolidated obligations. (See "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations—Results of Operations—Interbank Transfers of Liability on Outstanding Consolidated Obligations—Bonds and Their Effect on Combined Net Income" and Note 1 to the accompanying combined financial statements.)

AVAILABLE INFORMATION ON INDIVIDUAL FHLBANKS

Each FHLBank provides information on its operations on an ongoing basis.

Each FHLBank is subject to certain reporting requirements of the Securities Exchange Act of 1934, as amended (1934 Act) and must file certain periodic reports and other information with the U.S. Securities and Exchange Commission (SEC). These periodic reports and other information filed pursuant to the 1934 Act, including each FHLBank's description of the risk factors applicable to that FHLBank, may be inspected without charge and copied at prescribed rates at the public reference facilities of the SEC's principal office at 100 F Street, N.E., Washington, D.C. 20549. Investors may obtain information on the operation of the SEC's public reference facilities by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site at: www.sec.gov that will contain the periodic reports and other information filed by each FHLBank with the SEC.

Each FHLBank prepares financial reports containing financial information relating to its financial condition and results of operations and files this information annually with the SEC on Form 10-K and quarterly on Form 10-Q. All of this information is made available on the respective web site of each FHLBank. The web site of the Office of Finance is located at www.fhlb-of.com. This site also contains links to the web sites of each individual FHLBank.

Please note that the web site addresses and the identification of available information above are provided solely as a matter of convenience. These web site addresses are not intended to be active links and their contents and the other available information are not a part of this report and are not intended to be incorporated by reference into this report.

FEDERAL HOME LOAN BANKS

COMBINED STATEMENT OF CONDITION

(Dollar amounts in millions except per share amounts)
(Unaudited)

	September 30, 2008	December 31, 2007
ASSETS		
Cash and due from banks	$ 6,560	$ 320
Securities purchased under agreements to resell	2,300	800
Federal funds sold	94,331	85,818
Trading securities	7,848	6,809
Available-for-sale securities	11,308	5,813
Held-to-maturity securities(a)	200,228	197,818
Advances (Includes $38,865 at fair value under fair value option at September 30, 2008)	1,011,695	875,061
Mortgage loans held for portfolio	87,928	91,618
Less: allowance for credit losses on mortgage loans	12	8
Mortgage loans held for portfolio, net	87,916	91,610
Accrued interest receivable	4,243	5,614
Premises, software, and equipment, net	199	208
Derivative assets	1,334	1,306
Other assets	780	623
Total assets	$1,428,742	$1,271,800
LIABILITIES		
Deposits:		
Interest-bearing:		
Demand and overnight	$ 25,248	$ 19,912
Term	1,591	749
Other	50	24
Total interest-bearing	26,889	20,685
Non-interest-bearing:		
Demand and overnight	70	84
Other	132	124
Total non-interest-bearing	202	208
Total deposits	27,091	20,893
Borrowings:		
Securities sold under agreements to repurchase	1,722	1,400
Other		100
Total borrowings	1,722	1,500
Consolidated obligations, net:		
Discount notes	446,820	376,342
Bonds (Includes $30,268 at fair value under fair value option at September 30, 2008)	876,002	802,574
Total consolidated obligations, net	1,322,822	1,178,916
Mandatorily redeemable capital stock	4,916	1,107
Accrued interest payable	7,397	8,187
Affordable Housing Program	921	893
Payable to REFCORP	135	212
Derivative liabilities	3,835	3,789
Other liabilities	1,842	1,706
Subordinated notes	1,000	1,000
Total liabilities	1,371,681	1,218,203
CAPITAL		
Capital Stock:		
Capital stock Class B putable ($100 par value per share) issued and outstanding	50,182	46,701
Capital stock Class A putable ($100 par value per share) issued and outstanding	944	891
Capital stock Pre-conversion ($100 par value per share) issued and outstanding	2,561	2,661
Total capital stock	53,687	50,253
Retained earnings	3,870	3,689
Accumulated other comprehensive income:		
Net unrealized losses on available-for-sale securities	(254)	(41)
Net unrealized losses on held-to-maturity securities transferred from available-for-sale securities	(96)	(138)
Net unrealized losses relating to hedging activities	(119)	(137)
Pension and postretirement benefits	(27)	(29)
Total capital	57,061	53,597
Total liabilities and capital	$1,428,742	$1,271,800

(a) Fair values: $185,996 and $195,777 at September 30, 2008 and December 31, 2007.

The accompanying notes are an integral part of these combined financial statements.

FEDERAL HOME LOAN BANKS

COMBINED STATEMENT OF INCOME

(Dollar amounts in millions)
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2008	2007	2008	2007
INTEREST INCOME				
Advances	$ 6,769	$ 9,733	$22,559	$26,553
Prepayment (credits) fees on advances, net	(7)	5	60	21
Interest-bearing deposits	9	4	59	12
Securities purchased under agreements to resell	12	19	34	112
Federal funds sold	436	1,223	1,596	3,485
Trading securities	111	83	318	246
Available-for-sale securities	88	104	230	278
Held-to-maturity securities	2,232	2,382	6,679	6,847
Mortgage loans held for portfolio	1,122	1,202	3,408	3,664
Other	1	2	3	4
Total interest income	10,773	14,757	34,946	41,222
INTEREST EXPENSE				
Consolidated obligations—Discount notes	2,257	2,725	7,872	6,787
Consolidated obligations—Bonds	6,952	10,538	22,590	30,246
Deposits	94	249	384	738
Securities sold under agreements to repurchase	17	35	50	112
Subordinated notes	14	14	43	43
Mandatorily redeemable capital stock	16	16	44	41
Other borrowings	1		2	1
Total interest expense	9,351	13,577	30,985	37,968
NET INTEREST INCOME	1,422	1,180	3,961	3,254
Provision (reversal) for credit losses	4	(1)	7	1
NET INTEREST INCOME AFTER PROVISION (REVERSAL) FOR CREDIT LOSSES	1,418	1,181	3,954	3,253
OTHER (LOSS) INCOME				
Service fees	8	8	25	23
Net gains (losses) on trading securities	11	124	(121)	34
Net realized (losses) gains on available-for-sale securities	(2)	(1)	1	(1)
Net realized losses on held-to-maturity securities	(146)	(2)	(207)	(6)
Net gains on advances and consolidated obligations—bonds held at fair value	102		148	
Net losses on derivatives and hedging activities	(262)	(124)	(282)	(46)
Other, net	7	2	2	14
Total other (loss) income	(282)	7	(434)	18
OTHER EXPENSE				
Operating	181	171	540	515
Finance Agency/Finance Board	9	9	29	26
Office of Finance	8	8	24	21
Provision for derivative counterparty credit losses	252		252	
Other, net	5	1	10	10
Total other expense	455	189	855	572
INCOME BEFORE ASSESSMENTS	681	999	2,665	2,699
Affordable Housing Program	57	83	233	224
REFCORP	118	184	511	494
Total assessments	175	267	744	718
NET INCOME	$ 506	$ 732	$ 1,921	$ 1,981

The accompanying notes are an integral part of these combined financial statements.

FEDERAL HOME LOAN BANKS

COMBINED STATEMENT OF CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

(Dollar amounts and shares in millions)
(Unaudited)

	Capital Stock Class B*		Capital Stock Class A*		Capital Stock Pre-conversion*		Total Capital Stock*		Retained Earnings	Accumulated Other Comprehensive Income	Total Capital
	Shares	Par Value	Shares	Par Value	Shares	Par Value	Shares	Par Value			
BALANCE, DECEMBER 31, 2006	389	$ 38,882	5	$532	26	$2,587	420	$ 42,001	$ 3,144	$(159)	$ 44,986
Proceeds from sale of capital stock	196	19,807	3	287	1	73	200	20,167			20,167
Repurchase/redemption of capital stock	(122)	(12,343)					(122)	(12,343)			(12,343)
Net shares reclassified to mandatorily redeemable capital stock	(21)	(2,118)	(1)	(84)		(7)	(22)	(2,209)			(2,209)
Comprehensive income:											
Net income									1,981		1,981
Other comprehensive income:											
Net unrealized losses on available-for-sale securities										(60)	(60)
Reclassification adjustment for losses included in net income relating to available-for-sale securities										1	1
Net unrealized losses relating to hedging activities										(5)	(5)
Reclassification adjustment for losses included in net income relating to hedging activities										5	5
Pension and postretirement benefits										(2)	(2)
Total comprehensive income											1,920
Transfer between Class B and Class A shares	(2)	(160)	2	160							
Dividends on capital stock:											
Cash									(1,095)		(1,095)
Stock	6	560					6	560	(560)		
BALANCE, SEPTEMBER 30, 2007	446	$ 44,628	9	$895	27	$2,653	482	$ 48,176	$ 3,470	$(220)	$ 51,426

The accompanying notes are an integral part of these combined financial statements.

FEDERAL HOME LOAN BANKS

COMBINED STATEMENT OF CAPITAL (continued)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

(Dollar amounts and shares in millions)
(Unaudited)

	Capital Stock Class B*		Capital Stock Class A*		Capital Stock Pre-conversion*		Total Capital Stock*		Retained Earnings	Accumulated Other Comprehensive Income	Total Capital
	Shares	Par Value	Shares	Par Value	Shares	Par Value	Shares	Par Value			
BALANCE, DECEMBER 31, 2007	468	$ 46,701	9	$ 891	27	$2,661	504	$ 50,253	$3,689	$(345)	$ 53,597
Adjustment to opening balance relating to SFAS 158 and 159									16		16
Proceeds from sale of capital stock	238	23,825	6	572	1	65	245	24,462			24,462
Repurchase/redemption of capital stock	(158)	(15,767)	(5)	(459)			(163)	(16,226)			(16,226)
Net shares reclassified to mandatorily redeemable capital stock	(52)	(5,315)	(1)	(125)	(2)	(165)	(55)	(5,605)			(5,605)
Comprehensive income:											
Net income									1,921		1,921
Other comprehensive income:											
Net unrealized losses on available-for-sale securities										(212)	(212)
Reclassification adjustment for gains included in net income relating to available-for-sale securities										(1)	(1)
Net unrealized gains (losses) on held-to-maturity securities transferred from available-for-sale securities											
Reclassification adjustment for losses included in net income relating to held-to-maturity securities transferred from available-for-sale securities										42	42
Net unrealized losses relating to hedging activities										(17)	(17)
Reclassification adjustment for losses included in net income relating to hedging activities										35	35
Pension and postretirement benefits										2	2
Total comprehensive income											1,770
Transfer between Class B and Class A shares	(1)	(65)	1	65							
Dividends on capital stock:											
Cash									(953)		(953)
Stock	8	803					8	803	(803)		
BALANCE, SEPTEMBER 30, 2008	503	$ 50,182	10	$ 944	26	$2,561	539	$ 53,687	$3,870	$(496)	$ 57,061

* Putable

The accompanying notes are an integral part of these combined financial statements.

FEDERAL HOME LOAN BANKS

COMBINED STATEMENT OF CASH FLOWS

(Dollar amounts in millions)
(Unaudited)

	For the Nine Months Ended September 30,	
	2008	2007
OPERATING ACTIVITIES		
Net income	$ 1,921	$ 1,981
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	(784)	756
Change in net fair value adjustment on derivative and hedging activities	(1,847)	(1,135)
Other adjustments	1,328	19
Net change in fair value adjustments on trading securities	156	(27)
Change in fair value adjustments on advances and consolidated obligations—bonds held at fair value	(148)	
Net change in:		
Accrued interest receivable	1,214	(703)
Other assets	(394)	(37)
Accrued interest payable	(721)	1,015
Other liabilities*	19	73
Total adjustments	(1,177)	(39)
Net cash provided by operating activities	744	1,942
INVESTING ACTIVITIES		
Net change in:		
Interest-bearing deposits	(1,885)	(60)
Securities purchased under agreements to resell	(1,500)	4,755
Federal funds sold	(7,553)	(21,024)
Premises, software and equipment	(33)	(33)
Trading securities:		
Proceeds	2,615	851
Purchases	(4,617)	(1,425)
Available-for-sale securities:		
Proceeds	4,006	42,886
Purchases	(9,646)	(43,441)
Held-to-maturity securities:		
Net decrease (increase) in short-term	23,263	(12,315)
Proceeds from long-term	21,168	21,104
Purchases of long-term	(47,788)	(23,294)
Advances:		
Proceeds	6,678,837	5,361,888
Made	(6,815,066)	(5,542,223)
Mortgage loans held for portfolio:		
Principal collected	9,698	9,384
Purchases	(6,079)	(4,439)
Proceeds from sales of foreclosed assets	35	40
Principal collected on other loans	1	1
Net cash used in investing activities	(154,544)	(207,345)

The accompanying notes are an integral part of these combined financial statements.

FEDERAL HOME LOAN BANKS

COMBINED STATEMENT OF CASH FLOWS (continued)

(Dollar amounts in millions)
(Unaudited)

	For the Nine Months Ended September 30,	
	2008	2007
FINANCING ACTIVITIES		
Net change in:		
Deposits and pass-through reserves	$ 6,182	$ 5,674
Borrowings	690	(908)
Net proceeds on derivative contracts with financing element	1,810	
Net proceeds from issuance of consolidated obligations:		
Discount notes	9,301,392	6,225,065
Bonds	492,324	342,416
Payments for maturing and retiring consolidated obligations:		
Discount notes	(9,230,178)	(6,074,345)
Bonds	(417,591)	(297,207)
Proceeds from issuance of capital stock	24,462	20,167
Payments for redemption of mandatorily redeemable capital stock	(1,816)	(2,013)
Payments for repurchase/redemption of capital stock	(16,226)	(12,343)
Cash dividends paid	(1,009)	(1,083)
Net cash provided by financing activities	160,040	205,423
Net increase in cash and cash equivalents	6,240	20
Cash and cash equivalents at beginning of the period	320	330
Cash and cash equivalents at end of the period	$ 6,560	$ 350
Supplemental Disclosures:		
Interest paid	$ 31,631	$ 35,043
AHP payments, net	$ 202	$ 175
REFCORP assessments paid	$ 604	$ 475
Transfers of mortgage loans to real estate owned	$ 67	$ 62

* Other liabilities includes the net change in the REFCORP receivable/payable.

The accompanying notes are an integral part of these combined financial statements.

Notes to Combined Financial Statements (Unaudited)

Background Information

These financial statements present the combined financial position and results of operations of the 12 Federal Home Loan Banks (FHLBanks). The FHLBanks serve the public by enhancing the availability of credit for residential mortgages and targeted community development. They provide a readily available, competitively-priced source of funds to their member institutions. The FHLBanks are cooperatives whose member institutions own nearly all of the capital stock of each FHLBank. Former members own the remaining capital stock to support business transactions still carried on the FHLBanks' Combined Statement of Condition. All holders of an FHLBank's capital stock are entitled to receive dividends on their capital stock, to the extent declared by the FHLBank's board of directors. Regulated financial depositories and insurance companies engaged in residential housing finance may apply for membership. State and local housing authorities that meet certain statutory and regulatory criteria may also borrow from the FHLBanks; while eligible to borrow, housing associates are not members of the FHLBanks and, as such, are not required to hold capital stock. All members must purchase stock in their district's FHLBank.

The Federal Housing Finance Board (Finance Board), an independent agency in the executive branch of the U.S. government, supervised and regulated the FHLBanks and the Federal Home Loan Banks' Office of Finance (Office of Finance) through July 29, 2008. With the passage of the "Housing and Economic Recovery Act of 2008" (the Housing Act), the Federal Housing Finance Agency (Finance Agency) was established and became the new independent Federal regulator (the Regulator) of the FHLBanks and the Office of Finance, effective July 30, 2008. The Finance Board was merged into the Finance Agency as of October 27, 2008. The Office of Finance is a joint office of the FHLBanks established by the Finance Board to facilitate the issuance and servicing of the debt instruments of the FHLBanks, known as consolidated obligations, and to prepare the combined quarterly and annual financial reports of all 12 FHLBanks. The Regulator's principal purpose is to ensure that the FHLBanks operate in a safe and sound manner. In addition, the Regulator ensures that the FHLBanks carry out their housing finance mission, remain adequately capitalized, and are able to raise funds in the capital markets. Also, the Regulator establishes policies and regulations governing the operations of the FHLBanks. Each FHLBank operates as a separate entity with its own management, employees and board of directors. The FHLBanks do not have any special purpose entities or any other type of off-balance sheet conduits.

As provided by the Federal Home Loan Bank Act of 1932 (FHLBank Act), as amended, and applicable regulations, consolidated obligations are backed only by the financial resources of all 12 FHLBanks and are the primary source of funds for the FHLBanks. Deposits, other borrowings and capital stock issued to members provide other funds. Each FHLBank primarily uses these funds to provide advances to members. Certain FHLBanks also use these funds to purchase loans from members through their respective FHLBank's Mortgage Purchase Program (MPP) or the Mortgage Partnership Finance® (MPF®)(1) Program. In addition, some FHLBanks offer their member institutions correspondent services, such as wire transfer, security safekeeping, and settlement services.

Note 1—Summary of Significant Accounting Policies

Principles of Combination. The combined financial statements include the financial records of the 12 FHLBanks. Material transactions among the FHLBanks have been eliminated in accordance with combination accounting principles under generally accepted accounting principles in the United States of America (GAAP), including Accounting Research Bulletin No. 51, *Consolidated Financial Statements*. The most significant transactions between the FHLBanks are: 1) transfers of direct liability on consolidated obligations between FHLBanks; consolidated obligations issued on behalf of one FHLBank that are subsequently transferred to and assumed by another FHLBank, and 2) purchases of consolidated obligations issued on behalf of one FHLBank and purchased by another FHLBank in the open market.

(1) "Mortgage Partnership Finance," "MPF," "MPF Shared Funding" and "eMPF" are registered trademarks and "MPF Xtra" is a trademark of the FHLBank of Chicago.

Transfers of Direct Liability on Consolidated Obligations—Bonds Between FHLBanks. The transferring FHLBank treats the transfer as a debt extinguishment as the transferring FHLBank has been released from being the primary obligor. Specifically, the release is made effective by the Office of Finance recording the transfer in its records. The Office of Finance provides release by acting within the confines of the Finance Agency regulations that govern the determination of which FHLBank is the primary obligor. The assuming FHLBank becomes the primary obligor because it now is directly responsible for repaying the debt. The transferring FHLBank continues to disclose the transferred debt as a contingent liability because it still has a joint and several liability with respect to repaying the transferred consolidated obligation.

The FHLBank assuming the consolidated obligations—bond liability accounts for the consolidated obligations—bond at par with the initial carrying amount being the amount paid to the transferring FHLBank by the assuming FHLBank in exchange for the assumption, plus any premium or minus any discount. There have not been any transactions with a third party independent of the FHLBanks under this transfer scenario. Under combination accounting principles, combining adjustments are required to reflect the transaction as if the transferring FHLBank still held the consolidated obligations—bond for purposes of the FHLBanks' combined financial statements. The debt extinguishment transaction, including any gain or loss, is eliminated, all statement of condition and statement of income effects related to the assuming FHLBank's premium or discount related to the purchase of the consolidated obligations—bond are eliminated and the transferring FHLBank reinstates and amortizes over the life of the consolidated obligations—bond the original premium or discount, concession fees and basis adjustments relating to Statement of Financial Accounting Standards (SFAS) No. 133, *Accounting for Derivative Instruments and Hedging Activities,* as amended by SFAS No. 137, *Accounting for Derivative Instruments and Hedging Activities—Deferral of Effective Date of FASB Statement No. 133*, SFAS No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities,* SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities* and SFAS No. 155, *Accounting for Certain Hybrid Financial Instruments, an Amendment of FASB Statements No. 133 and 140* (SFAS 133).

Purchases of Consolidated Obligations—Bonds. All purchase transactions occur at market prices with third parties, and the purchasing FHLBanks treat these consolidated obligations—bonds as investments. Under combination accounting principles, the investment and the consolidated obligations—bonds and related interest income and interest expense are eliminated in combination.

No other transactions among the FHLBanks have a material effect on operating results.

Segment Reporting. For the purposes of SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information,* the Finance Agency regulations consider each FHLBank to be a segment.

Basis of Presentation and Use of Estimates. The FHLBanks' accounting and financial reporting policies conform to GAAP. The preparation of financial statements in accordance with GAAP requires each FHLBank's management to make subjective assumptions and estimates that may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of income and expense. The most significant of these estimates includes the fair value of derivatives, certain advances, certain investment securities and certain consolidated obligations—bonds that are reported at fair value in the statement of condition. Actual results could differ from these estimates significantly.

Second Quarter 2008 Error Correction by the FHLBank of Seattle. During the second quarter of 2008, the FHLBank of Seattle identified and corrected the effect of an error in the manner in which it accounts for basis adjustments when differences exist at inception of benchmark fair value hedges between the initial calculation of the present value of future cash flows and the carrying value of certain consolidated obligations—bonds and advances pursuant to the application of SFAS 133. Under the FHLBank of Seattle's prior approach, it inappropriately excluded the natural amortization of the initial difference between the fair value and carrying value of a limited number of consolidated obligations—bonds and advances at inception of the benchmark fair value hedges. The FHLBank of Seattle assessed

the effect of this error on all prior periods and determined that the error, which began occurring in the second quarter of 2006, did not result in a material misstatement to any previously issued financial statements. A cumulative out-of-period adjustment of $5.4 million, representing an increase to net income before assessments, was recorded and was not considered material to expected annual results for the year ending December 31, 2008. Consequently, the FHLBank of Seattle recorded the adjustment during the quarter ended June 30, 2008, rather than restate its previously issued financial statements.

Third Quarter 2007 Cumulative Adjustment for FHLBank of Chicago's Restatement. In the third quarter of 2007, the FHLBank of Chicago identified an accounting error related to certain SFAS 133 long-haul fair value hedge relationships of advances and consolidated obligations—bonds that were hedged at values other than par at hedge inception. The FHLBank of Chicago determined that the effect of the error was not material to any previously issued financial statements; however, had the FHLBank of Chicago corrected the effect of the error through a cumulative effect adjustment in the third quarter of 2007, such adjustment would have been material to the three months and nine months ended September 30, 2007. Consequently, the FHLBank of Chicago was required under GAAP to correct the effect of this error by restating its previously issued quarterly financial statements, even though the effect of the error was not material to any of its previously issued quarters. Specifically, the FHLBank of Chicago restated its Statement of Income for the three and six months ended June 30, 2007 and corrected another immaterial error that had been previously recorded on a cumulative basis by reversing and recording it in the correct period. In the second quarter of 2007, the FHLBank of Chicago had recognized a $2 million gain as a component of derivatives and hedging activities as a result of a correction of an error related to a SFAS 133 hedging adjustment of an underlying consolidated obligations—bond. The FHLBank of Chicago corrected its previously issued second quarter interim 2007 financial statements in connection with the issuance of its second quarter interim 2008 financial statements.

The FHLBank of Chicago's accounting error is considered immaterial to the FHLBanks' combined financial statements for all periods. Therefore, a net cumulative adjustment of $16 million (increase to net income and retained earnings) was reflected in the third quarter 2007 combining financial statements for the FHLBank of Chicago contained in the third quarter 2007 Combined Financial Report.

Reclassifications. Certain amounts in the 2007 financial statements of the FHLBanks have been reclassified to conform to the third quarter 2008 presentation. In particular, during the third quarter of 2008, on a retrospective basis, the FHLBanks reclassified their investments in certain certificates of deposit and bank notes, previously reported as interest-bearing deposits, as held-to-maturity securities in their statements of condition and income as they meet the definition of a security under SFAS 115. These financial instruments have been reclassified as held-to-maturity securities based on their short-term nature and the FHLBanks' history of holding them until maturity. This reclassification had no effect on total assets or net interest income and net income. The certificates of deposit and bank notes that do not meet the definition of a security will continue to be classified as interest-bearing deposits on the statements of condition and income. As a result of the FHLBanks' reclassification during the third quarter of 2008, the Combined Statement of Condition at December 31, 2007 and the Combined Statement of Income for the three and nine months ended September 30, 2007 were revised as follows (dollar amounts in millions):

Statement of Condition:	Before Reclassification December 31, 2007	Reclassification	After Reclassification December 31, 2007
Interest-bearing deposits	$ 46,642	$(46,642)	$
Held-to-maturity securities	151,176	46,642	197,818
Cumulative effect of reclassification on Total assets		$	

Statement of Income:	Before Reclassification For the Three Months Ended September 30, 2007	Reclassification	After Reclassification For the Three Months Ended September 30, 2007
Interest-bearing deposits	$ 554	$(550)	$ 4
Held-to-maturity securities	1,832	550	2,382
Cumulative effect of reclassification on Total interest income		$	

	Before Reclassification For the Nine Months Ended September 30, 2007	Reclassification	After Reclassification For the Nine Months Ended September 30, 2007
Interest-bearing deposits	$1,506	$(1,494)	$ 12
Held-to-maturity securities	5,353	1,494	6,847
Cumulative effect of reclassification on Total interest income		$	

In addition, in accordance with Financial Accounting Standards Board (FASB) Staff Position (FSP) No. FIN 39-1, *Amendment of FASB Interpretation No. 39* (FSP FIN 39-1), the FHLBanks recognized the effects of applying FSP FIN 39-1 as a change in accounting principle through retrospective application for all financial statement periods presented. For more information related to FSP FIN 39-1, see "Note 2—Changes in and Adoptions of Accounting Principles and Recently Issued Accounting Standards and Interpretations" to these combined financial statements.

Furthermore, in accordance with SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities—Including an Amendment of FASB Statement No. 115* (SFAS 159), which amends FASB Statement No. 95, *Statement of Cash Flows* (SFAS 95), and FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities* (SFAS 115), cash flows from trading securities (which include securities for which an entity has elected the fair value option) should be classified in the statement of cash flows based on the nature of and purpose for which the securities were acquired. For more information on SFAS 159, see "Note 2—Changes in and Adoptions of Accounting Principles and Recently Issued Accounting Standards and Interpretations" to these combined financial statements.

Note 2—Recently Issued and Adopted Accounting Standards and Interpretations and Change in Accounting Principle

Recently Issued Accounting Standards and Interpretations

FSP FAS 133-1 and FIN 45-4. On September 12, 2008, the FASB issued FSP FAS 133-1 and FIN 45-4, *Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161* (FSP FAS 133-1 and FIN 45-4). FSP FAS 133-1 and FIN 45-4 amends SFAS 133 and FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, including Indirect Guarantees of Indebtedness of Others—an interpretation of FASB Statements No. 5, 57, and 107 and rescission of FASB Interpretation No. 34* (FIN 45) to improve disclosures about credit derivatives and guarantees and clarify the effective date of SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133* (SFAS 161). FSP FAS 133-1 and FIN 45-4 also amends FAS 133 to require entities to disclose sufficient information to allow users to assess the potential effect of credit derivatives, including their nature, maximum payment, fair value, and recourse provisions. Additionally, FSP FAS 133-1 and FIN 45-4 amends FIN 45 to require a disclosure about the current status of the payment/performance risk of a guarantee, which could be indicated by external credit ratings or categories by which an FHLBank measures risk. While the FHLBanks do not currently enter into credit derivatives, they do have guarantees (i.e., the FHLBanks' joint and several liability on consolidated obligations and their liability on letters of credit). The provisions of FSP FAS 133-1 and FIN 45-4 that amend SFAS 133 and FIN 45 are effective for fiscal years

and interim periods ending after November 15, 2008 (December 31, 2008 for the FHLBanks). Additionally, FSP FAS 133-1 and FIN 45-4 clarifies that the disclosures required by SFAS 161 should be provided for any reporting period (annual or quarterly interim) beginning after November 15, 2008 (January 1, 2009 for the FHLBanks). The FHLBanks continue to evaluate whether the adoption of FSP FAS 133-1 and FIN 45-4 will result in increased financial statement disclosures.

SFAS 161. On March 19, 2008, the FASB issued SFAS 161, which is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008 (January 1, 2009 for the FHLBanks), with early application allowed. The FHLBanks have determined that the adoption of SFAS 161 will result in increased financial statement disclosures.

Recently Adopted Accounting Standards and Interpretations

SFAS 157. On September 15, 2006, the FASB issued SFAS 157. In defining fair value, SFAS 157 retains the exchange price notion in earlier definitions of fair value. However, the definition of fair value under SFAS 157 focuses on the price that would be received to sell an asset or paid to transfer a liability (an exit price), not the price that would be paid to acquire the asset or received to assume the liability (an entry price). SFAS 157 applies whenever other accounting pronouncements require or permit assets or liabilities to be measured at fair value. Accordingly, SFAS 157 does not expand the use of fair value in any new circumstances. SFAS 157 also establishes a three-level fair value hierarchy that prioritizes the information used to develop assumptions used to determine the exit price, thereby increasing consistency and comparability in fair value measurements and related disclosures. The adoption of SFAS 157 at January 1, 2008 did not have a material effect on the FHLBanks. For additional information detailing the extent to which the FHLBanks measure assets and liabilities at fair value and the methods and assumptions used by the FHLBanks to measure fair value, see "Note 10—Fair Value Disclosures" to these combined financial statements.

FSP FAS 157-3. On October 10, 2008, the FASB issued FSP FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active* (FSP FAS 157-3), which clarifies the application of SFAS No. 157, *Fair Value Measurements* (FAS 157) in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. Key existing principles of SFAS 157 illustrated in the example include:

- A fair value measurement represents the price at which a transaction would occur between market participants at the measurement date.
- In determining a financial asset's fair value, use of a reporting entity's own assumptions about future cash flows and appropriately risk-adjusted discount rates is acceptable when relevant observable inputs are unavailable.
- Broker or pricing service quotes may be an appropriate input when measuring fair value, but they are not necessarily determinative if an active market does not exist for the financial asset.

FSP FAS 157-3 was effective upon issuance, including prior periods for which financial statements have not been issued. While revisions resulting from a change in the valuation technique or its application shall be accounted for as a change in accounting estimate consistent with SFAS No. 154, *Accounting Changes and Error Corrections*, the related disclosure provisions for this change in accounting estimate would not be required. The FHLBanks' adoption of FSP FAS 157-3 did not have a material effect on their financial condition, results of operations or cash flows.

SFAS 158. On September 29, 2006, the FASB issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* (SFAS 158), which requires employers to fully recognize the obligations associated with single-employer defined benefit pension, retiree healthcare and other postretirement plans in their financial statements. SFAS 158 did not have a material effect on the

FHLBanks' financial condition, results of operations or cash flows upon adoption at December 31, 2006. SFAS 158 also requires an employer to measure plan assets and benefit obligations as of the date of the employer's fiscal year-end statement of condition, effective for fiscal years ending after December 15, 2008. All FHLBanks, except for the FHLBank of San Francisco, used a December 31 measurement date as of December 31, 2006. In accordance with SFAS 158, the FHLBank of San Francisco re-measured its plan assets and benefit obligations as of the beginning of 2008 and recognized an adjustment to the opening balance of its retained earnings. The adoption of the change in the measurement date did not have a material effect on the FHLBank of San Francisco's financial condition, results of operations or cash flows.

SFAS 159. On February 15, 2007, the FASB issued SFAS 159, which creates a fair value option allowing, but not requiring, an entity to elect irrevocably fair value as the initial and subsequent measurement attribute for certain financial assets and financial liabilities, with changes in fair value recognized in earnings as they occur. It requires entities to display separately the fair value of those assets and liabilities for which an entity has chosen to use fair value on the face of the statement of condition. Additionally, SFAS 159 requires an entity to provide information that would allow users to understand the effect on earnings of changes in the fair value on those instruments selected for the fair value election. The FHLBank of San Francisco is the only FHLBank that elected to record certain existing financial assets and financial liabilities at fair value on adoption of SFAS 159 on January 1, 2008. Subsequently, during the third quarter of 2008, the FHLBanks of New York and Chicago also elected the fair value option for certain newly acquired financial assets and financial liabilities. The effect of adopting SFAS 159 on January 1, 2008 was a net $16 million increase to the FHLBank of San Francisco's retained earnings balance as follows (dollar amounts in millions):

	Ending Balance at December 31, 2007	Effect of Adopting SFAS 159	Opening Balance at January 1, 2008
Advances	$15,968	$17	$15,985
Consolidated obligations—bonds	(1,246)	(1)	(1,247)
Cumulative effect of adoption		$16	

For additional information detailing the fair value of certain financial assets and financial liabilities, see "Note 10—Fair Value Disclosures" to these combined financial statements.

Cash Flows from Trading Securities. SFAS 159 amends SFAS 95 and SFAS 115 to specify that cash flows from trading securities (which include securities for which an entity has elected the fair value option) should be classified in the statement of cash flows based on the nature of and purpose for which the securities were acquired. Prior to this amendment, SFAS 95 and SFAS 115 specified that all cash flows from trading securities must be classified as cash flows from operating activities. On a retroactive basis, beginning in the first quarter of 2008, the FHLBanks classify purchases, sales and maturities of trading securities *held for investment* purposes as cash flows from investing activities. Cash flows related to trading securities *held for trading* purposes continue to be reported as cash flows from operating activities. Previously, all cash flows associated with trading securities were reflected in the statement of cash flows as operating activities. The net decrease in trading securities of $601 million for the nine months ended September 30, 2007, as previously reported, has been reclassified as a net decrease in fair value adjustment on trading securities of $27 million in the net cash provided by operating activities section, and trading securities proceeds of $851 million and purchases of $1,425 million in the net cash used in investing activities section, of the Combined Statement of Cash Flows.

While the FHLBanks classify certain investments acquired for purposes of liquidity and asset/liability management as trading and carry them at fair value, the FHLBanks do not participate in speculative trading practices and may hold certain trading investments indefinitely as each FHLBank's management periodically evaluates its liquidity needs.

FSP FIN 39-1. On April 30, 2007, the FASB issued FSP FIN 39-1, which permits an entity to offset fair value amounts recognized for derivative instruments and fair value amounts recognized for the

right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) arising from derivative instruments recognized at fair value executed with the same counterparty under a master netting arrangement. Under FSP FIN 39-1, the receivable or payable related to cash collateral may not be offset if the amount recognized does not represent or approximate fair value or arises from instruments in a master netting arrangement that are not eligible to be offset. As a result of the FHLBanks' adoption and retrospective application of FSP FIN 39-1 on January 1, 2008, the Combined Statement of Condition at December 31, 2007 was revised as follows (dollar amounts in millions):

	As Previously Reported	Effect of Adoption	As Adjusted
ASSETS:			
Interest-bearing deposits	$48,243	$(1,601)	$46,642
Accrued interest receivable	5,618	(4)	5,614
Derivative assets	2,401	(1,095)	1,306
Effect on Total Assets	$56,262	$(2,700)	$53,562
LIABILITIES:			
Total interest-bearing deposits	$21,865	$(1,180)	$20,685
Accrued interest payable	8,193	(6)	8,187
Derivative liabilities	5,303	(1,514)	3,789
Effect on Total Liabilities	$35,361	$(2,700)	$32,661

DIG Issue E23. On December 20, 2007, the FASB issued Derivatives Implementation Group (DIG) Issue No. E23, *Issues Involving the Application of the Shortcut Method Under Paragraph 68* (DIG Issue E23). DIG Issue E23 amends paragraph 68 of SFAS 133 with respect to the conditions that must be satisfied in order to apply the shortcut method for assessing hedge effectiveness. The FHLBanks' adoption of DIG Issue E23 at January 1, 2008 did not have a material effect on their financial condition, results of operations or cash flows.

Change in Accounting Principle

Effective January 1, 2008, the FHLBank of Topeka changed its method of amortizing/accreting mortgage loan origination fees (agent fees) and premiums/discounts under SFAS No. 91, *Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases—an amendment of FASB Statements No. 13, 60, and 65 and a rescission of FASB Statement No. 17* (SFAS 91). Previously, amortization/accretion of origination fees and premiums/discounts were computed using the estimated life method with retrospective adjustment. Under this method, the income effects of loan origination fees, premiums and discounts were recognized using the interest method over the estimated lives of the assets, which required a retrospective adjustment of the effective yield each time the FHLBank of Topeka changed its estimate of the loan life, based on actual prepayments received and changes in expected future prepayments. Under the estimated life method, the net investment in the loans was adjusted as if the new estimate had been known since the original acquisition of the mortgage loan. On January 1, 2008, the FHLBank of Topeka began amortizing/accreting loan origination fees and premiums/discounts using the contractual method. The contractual method uses the cash flows specified by the loan contracts, as adjusted for actual prepayments, to apply the interest method. The contractual method does not utilize estimates of future prepayments of principal. While both methods are acceptable under GAAP, the FHLBank of Topeka believes that the contractual method is preferable to the estimated life method because, under the contractual method, the income effects of loan origination cost, premiums and discounts are recognized in a manner that is reflective of the actual behavior of the mortgage loans during the period in which the behavior occurs while also reflecting the contractual terms of the assets without regard to changes in estimated prepayments based on assumptions about future borrower behavior.

As a result of the change in method of amortizing/accreting loan origination costs and premiums/discounts, the prior period historical financial statements have been retrospectively adjusted to reflect the reporting periods as if the contractual method had been used during those reporting periods. The change in amortization/accretion method resulted in increases of $2.9 million for mortgage loans held for portfolio, $239 thousand for the Affordable Housing Program liability, $539 thousand for payable to Resolution Funding Corporation (REFCORP) and $2.2 million for retained earnings for the Combined Statement of Condition at December 31, 2007. The effect on the Combined Statement of Income for the three and nine months ended September 30, 2007 was approximately $1 million or less for interest income on mortgage loans held for portfolio and Affordable Housing Program and REFCORP assessments.

Note 3—Trading Securities

Major Security Types. Trading securities, excluding interbank holdings of consolidated obligations—bonds totaling $592 million and $522 million at September 30, 2008 and December 31, 2007, were as follows (dollar amounts in millions):

	September 30, 2008	December 31, 2007
	Estimated Fair Value	Estimated Fair Value
Government-sponsored enterprises*	$6,169	$5,717
Certificates of deposit (1)	801	
State or local housing agency obligations	14	60
Other	10	11
	6,994	5,788
Mortgage-backed securities:		
Other U.S. obligations**	64	74
Government-sponsored enterprises***	778	912
Other****	12	35
	854	1,021
Total	$7,848	$6,809

(1) Represents Certificates of deposit that meet the definition of a security under SFAS 115. (See "Note 1—Summary of Significant Accounting Policies.")

* Primarily consists of debt securities issued or guaranteed by Federal Home Loan Mortgage Corporation (Freddie Mac) and/or Federal National Mortgage Association (Fannie Mae).

** Primarily consists of Government National Mortgage Association (Ginnie Mae) investment pools.

*** Primarily consists of securities issued or guaranteed by Freddie Mac and/or Fannie Mae.

**** Primarily consists of private-label mortgage-backed securities.

Note 4—Available-for-Sale Securities

Major Security Types. Available-for-sale securities, excluding interbank holdings of consolidated obligations—bonds totaling $42 million at both September 30, 2008 and December 31, 2007, were as follows (dollar amounts in millions):

	September 30, 2008			
	Amortized Cost (1)	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Government-sponsored enterprises*	$ 2,620	$ 9	$ (49)	$ 2,580
State and local housing agency obligations	139		(1)	138
Other	419		(14)	405
	3,178	9	(64)	3,123
Mortgage-backed securities:				
Government-sponsored enterprises**	8,090	6	(160)	7,936
Other***	301		(52)	249
	8,391	6	(212)	8,185
Total	$11,569	$15	$(276)	$11,308

	December 31, 2007			
	Amortized Cost (1)	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Government-sponsored enterprises*	$1,324	$ 7	$ (1)	$1,330
Other	408	2	(1)	409
	1,732	9	(2)	1,739
Mortgage-backed securities:				
Government-sponsored enterprises**	3,748	1	(33)	3,716
Other***	376		(18)	358
	4,124	1	(51)	4,074
Total	$5,856	$10	$(53)	$5,813

(1) Amortized cost of available-for-sale securities includes adjustments made to the cost basis of an investment for accretion, amortization, other-than-temporary impairment, and/or hedging.

* Primarily consists of debt securities issued or guaranteed by Freddie Mac, Fannie Mae and/or Tennessee Valley Authority (TVA).

** Primarily consists of securities issued or guaranteed by Freddie Mac and/or Fannie Mae.

*** Primarily consists of private-label mortgage-backed securities.

The following tables summarize the available-for-sale securities with unrealized losses, which are aggregated by major security type and length of time that individual securities have been in a continuous unrealized loss position (dollar amounts in millions).

	September 30, 2008					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses (1)
Government-sponsored enterprises*	$1,455	$ (42)	$ 57	$ (7)	$1,512	$ (49)
State or local housing agency obligations	27	(1)			27	(1)
Other	393	(12)[(1)]			393	(12)[(1)]
Mortgage-backed securities:						
Government-sponsored enterprises**	6,211	(128)	965	(32)	7,176	(160)
Other***	3	(1)	246	(51)	249	(52)
Total temporarily impaired	$8,089	$(184)	$1,268	$(90)	$9,357	$(274)

	December 31, 2007					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Government-sponsored enterprises*	$ 57	$	$366	$(1)	$ 423	$ (1)
Other	80	(1)			80	(1)
Mortgage-backed securities:						
Government-sponsored enterprises**	2,984	(30)	215	(3)	3,199	(33)
Other***	321	(18)	37		358	(18)
Total temporarily impaired	$3,442	$(49)	$618	$(4)	$4,060	$(53)

(1) Does not include $2 million of unrealized losses in mutual funds in two grantor trusts designated as available-for-sale securities.

* Primarily consists of debt securities issued or guaranteed by Freddie Mac, Fannie Mae and/or TVA.

** Primarily consists of securities issued or guaranteed by Freddie Mac and/or Fannie Mae.

*** Primarily consists of private-label mortgage-backed securities.

Investments in government-sponsored enterprise securities, specifically debentures issued by Fannie Mae and Freddie Mac, were additionally affected by investor concerns regarding those entities' capital levels that are needed to offset expected credit losses that may result from declining home prices. The Housing Act contains provisions allowing the U.S. Treasury to provide support to Fannie Mae and Freddie Mac. Additionally, in September 2008, the U.S. Treasury and the Finance Agency announced that Fannie Mae and Freddie Mac were placed into conservatorship, with the Finance Agency named as conservator. The Finance Agency will manage Fannie Mae and Freddie Mac in an attempt to stabilize their financial conditions and their ability to support the secondary mortgage market.

Each FHLBank evaluates its individual available-for-sale investment securities holdings for other-than-temporary impairment on at least a quarterly basis. As part of this process, each FHLBank considers its ability and intent to hold each security for a sufficient time to allow for any anticipated recovery of unrealized losses. To determine which individual securities are at risk for other-than-temporary impairment, each FHLBank considers various characteristics of each security including, but not limited to, the following: the credit rating and related outlook or status; the creditworthiness of the issuers of the agency debt securities; the strength of the government-sponsored enterprises' guarantees of the

holdings of agency mortgage-backed securities; the type of underlying collateral; the duration and level of the unrealized loss; any credit enhancements or insurance; and certain other collateral-related characteristics such as FICO credit scores, delinquency rates and the security's performance. The relative importance of this information varies based on the facts and circumstances surrounding each security, as well as the economic environment at the time of assessment.

As a result of this security-level review, each FHLBank identifies individual securities believed to be at risk for other-than-temporary impairment, which are evaluated further by analyzing the performance of the security. Securities with weaker performance measures are evaluated by estimating projected cash flows based on the structure of the security and certain assumptions, such as default rates, loss severity and prepayment speed, to determine whether the FHLBank expects to receive the contractual cash flows to which it is entitled. As a result of these evaluations and each FHLBank's ability and intent to hold such securities through to the recovery of the unrealized losses, each FHLBank's management believes that it is probable that it will be able to collect all amounts when due according to the contractual terms of the individual securities and does not consider its respective investments to be other-than-temporarily impaired at September 30, 2008, except for a certain U.S. agency security held by the FHLBank of Dallas at September 30, 2008 in its available-for-sale portfolio, as further described below.

On October 29, 2008, the FHLBank of Dallas sold a U.S. agency debenture classified as available-for-sale. Proceeds from the sale totaled $56 million resulting in a realized loss of $1 million. At September 30, 2008, the amortized cost of this asset exceeded its estimated fair value at that date by $2 million. Because the FHLBank of Dallas did not have the intent as of September 30, 2008 to hold this available-for-sale security through to recovery of the unrealized loss, an other-than-temporary impairment was recognized in the third quarter of 2008 to write down the security to its estimated fair value of $57 million as of September 30, 2008. This impairment charge is reported in "Net realized (losses) gains on available-for-sale securities" in the Combined Statement of Income for the three and nine months ended September 30, 2008. For additional information on other-than-temporary impairment evaluations by the FHLBanks, please refer to each individual FHLBank's periodic report filed with the SEC.

Certain FHLBanks have entered into standby bond purchase agreements with state housing authorities within their district whereby the FHLBank, for a fee, agrees to purchase and hold the authorities' bonds until the designated marketing agent can find a suitable investor or the housing authority repurchases the bond according to a schedule established by the standby agreement. Each standby agreement dictates the specific terms that would require the FHLBank to purchase the bond. The bond purchase commitments entered into by these FHLBanks have expiration periods up to seven years, currently no later than 2015, though some are renewable at the option of an FHLBank. Total commitments for standby bond purchases were $2.3 billion at September 30, 2008, with 12 state housing authorities. During the nine months ended September 30, 2008, the FHLBanks were required to purchase $335 million of bonds under these agreements, which have been recorded as available-for-sale securities.

During the third quarter of 2008, the FHLBank of Boston sold available-for-sale mortgage-backed securities with a carrying value of $2.7 million and recognized a loss of $80 thousand on the sale of these securities. These mortgage-backed securities had been pledged as collateral to Lehman Brothers Special Financing (LBSF) on out-of-the-money derivative transactions. On September 15, 2008, Lehman Brothers Holdings, Inc. (LBHI) announced it had filed a petition under Chapter 11 of the U.S. Bankruptcy Code with the United States Bankruptcy Court. This petition precipitated the termination of the FHLBank of Boston's derivative transactions with LBSF, and in connection with those terminations, the FHLBank of Boston requested a return of the related collateral from LBSF. However, LBSF did not honor this request. Accordingly, the FHLBank of Boston netted the value of the collateral with the amounts due to LBSF on those outstanding derivative transactions. This event was determined by the FHLBank of Boston to be isolated, nonrecurring and unusual and could not have been reasonably anticipated. As such, the sale does not affect the FHLBank of Boston's ability and intent to hold remaining available-for-sale securities that are in an unrealized loss position through to a recovery of fair value, which may be maturity. The FHLBank of Boston did not have any other sales of available-for-sale investment securities during the nine months ended September 30, 2008 and 2007. For additional information on the FHLBank of Boston's securities and derivative transactions please refer to the FHLBank of Boston's periodic report filed with the SEC.

Note 5—Held-to-Maturity Securities

Major Security Types. Held-to-maturity securities, excluding interbank holdings of consolidated obligations—bonds totaling $2.5 billion at December 31, 2007, were as follows (dollar amounts in millions). There were no held-to-maturity interbank holdings of consolidated obligations—bonds at September 30, 2008.

	September 30, 2008			
	Amortized Cost (1)	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Commercial paper	$ 3,204	$	$ (1)	$ 3,203
Certificates of deposit and bank notes (2)	27,637		(14)	27,623
Other U.S. obligations*	610	2	(2)	610
Government-sponsored enterprises**	2,022	32	(8)	2,046
State or local housing agency obligations	2,646	21	(93)	2,574
Other	7			7
	36,126	55	(118)	36,063
Mortgage-backed securities:				
Other U.S. obligations*	295	2	(2)	295
Government-sponsored enterprises***	86,384	371	(1,077)	85,678
Other****	77,423	7	(13,470)	63,960
	164,102	380	(14,549)	149,933
Total	$200,228	$435	$(14,667)	$185,996

	December 31, 2007			
	Amortized Cost (1)	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Commercial paper	$ 7,197	$	$	$ 7,197
Certificates of deposit and bank notes (2)	46,642	11		46,653
Other U.S. obligations*	725	7	(1)	731
Government-sponsored enterprises**	1,827	41	(5)	1,863
State or local housing agency obligations	2,917	33	(29)	2,921
Other	92			92
	59,400	92	(35)	59,457
Mortgage-backed securities:				
Other U.S. obligations*	356	3	(2)	357
Government-sponsored enterprises***	50,470	307	(390)	50,387
Other****	87,592	110	(2,126)	85,576
	138,418	420	(2,518)	136,320
Total	$197,818	$512	$ (2,553)	$195,777

(1) Amortized cost of held-to-maturity securities includes adjustments made to the cost basis of an investment for accretion, amortization, and/or previous other-than-temporary impairments.

(2) Represents Certificates of deposit and bank notes that meet the definition of a security under SFAS 115. (See "Note 1—Summary of Significant Accounting Policies.")

* Primarily consists of Ginnie Mae and/or Small Business Administration (SBA) investment pools.

** Primarily consists of debt securities issued or guaranteed by Freddie Mac, Fannie Mae and/or TVA.

*** Primarily consists of securities issued or guaranteed by Freddie Mac and/or Fannie Mae.

**** Primarily consists of private-label mortgage-backed securities.

The following tables summarize the held-to-maturity securities with unrealized losses, which are aggregated by major security type and length of time that individual securities have been in a continuous unrealized loss position (dollar amounts in millions).

	September 30, 2008					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Commercial paper	$ 830	$ (1)	$	$	$ 830	$ (1)
Certificates of deposit	22,803	(14)			22,803	(14)
Other U.S. obligations*	317	(2)			317	(2)
Government-sponsored enterprises**	1,100	(8)			1,100	(8)
State or local housing agency obligations	1,380	(67)	198	(26)	1,578	(93)
Mortgage-backed securities:						
Other U.S. obligations*	125	(1)	41	(1)	166	(2)
Government-sponsored enterprises***	46,983	(652)	11,544	(425)	58,527	(1,077)
Other****	27,674	(4,648)	35,567	(8,822)	63,241	(13,470)
Total temporarily impaired	$101,212	$(5,393)	$47,350	$(9,274)	$148,562	$(14,667)

	December 31, 2007					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Other U.S. obligations*	$ 51	$ (1)	$	$	$ 51	$ (1)
Government-sponsored enterprises**			608	(5)	608	(5)
State or local housing agency obligations	1,320	(26)	92	(3)	1,412	(29)
Mortgage-backed securities:						
Other U.S. obligations*	26		86	(2)	112	(2)
Government-sponsored enterprises***	13,649	(68)	15,895	(322)	29,544	(390)
Other****	39,585	(1,004)	36,821	(1,122)	76,406	(2,126)
Total temporarily impaired	$ 54,631	$(1,099)	$53,502	$(1,454)	$108,133	$ (2,553)

* Primarily consists of Ginnie Mae and/or SBA investment pools.

** Primarily consists of debt securities issued or guaranteed by Freddie Mac, Fannie Mae and/or TVA.

*** Primarily consists of securities issued or guaranteed by Freddie Mac and/or Fannie Mae.

**** Primarily consists of private-label mortgage-backed securities.

Investments in government-sponsored enterprise securities, specifically debentures issued by Fannie Mae and Freddie Mac, were additionally affected by investor concerns regarding those entities' capital levels that are needed to offset expected credit losses that may result from declining home prices. The Housing Act contains provisions allowing the U.S. Treasury to provide support to Fannie Mae and Freddie Mac. Additionally, in September 2008, the U.S. Treasury and the Finance Agency announced that Fannie Mae and Freddie Mac were placed into conservatorship, with the Finance Agency named as conservator. The Finance Agency will manage Fannie Mae and Freddie Mac in an attempt to stabilize their financial conditions and their ability to support the secondary mortgage market.

Each FHLBank evaluates its individual held-to-maturity investment securities holdings for other-than-temporary impairment on at least a quarterly basis. As part of this process, each FHLBank considers its ability and intent to hold each security for a sufficient time to allow for any anticipated recovery of unrealized losses. To determine which individual securities are at risk for other-than-temporary impairment, each FHLBank considers various characteristics of each security including, but not limited to, the following: the credit rating and related outlook or status; the creditworthiness of the issuers of the agency debt securities; the strength of the government-sponsored enterprises' guarantees of the holdings of agency mortgage-backed securities; the type of underlying collateral; the duration and level of the unrealized loss; any credit enhancements or insurance; and certain other collateral-related characteristics such as FICO credit scores, delinquency rates and the security's performance. The relative importance of this information varies based on the facts and circumstances surrounding each security, as well as the economic environment at the time of assessment.

As a result of this security-level review, each FHLBank identifies individual securities believed to be at risk for other-than-temporary impairment, which are evaluated further by analyzing the performance of the security. Securities with weaker performance measures are evaluated by estimating projected cash flows based on the structure of the security and certain assumptions, such as default rates, loss severity and prepayment speed, to determine whether the FHLBank expects to receive the contractual cash flows when it is entitled. As a result of their evaluations, the FHLBanks of Atlanta, Chicago and Seattle recognized other-than-temporary impairment charges related to mortgage-backed securities (also referred to as MBS) instruments in their held-to-maturity portfolios, as further described in this footnote. The remaining nine FHLBanks have the ability and intent to hold such securities through to the recovery of the unrealized losses and the management of each of these nine FHLBanks believes that it is probable that it will be able to collect all amounts when due according to the contractual terms of the individual securities and does not consider its respective investments to be other-than-temporarily impaired at September 30, 2008. For additional information on other-than-temporary impairment charges taken by the FHLBanks of Atlanta, Chicago and Seattle, please refer to each of their periodic reports filed with the SEC.

FHLBank of Atlanta. The FHLBank of Atlanta's held-to-maturity portfolio had gross unrealized losses of $2.7 billion at September 30, 2008; 99.98 percent of these unrealized losses related to the FHLBank of Atlanta's MBS portfolio. The FHLBank of Atlanta's held-to-maturity portfolio included $16.5 billion of private-label MBS as of September 30, 2008. Approximately 89 percent of the underlying mortgages collateralizing the private-label MBS were considered prime and the remaining underlying mortgages collateralizing these securities were considered Alt-A, as determined by the originator at the time of origination. None of the underlying mortgages collateralizing the private-label MBS portfolio was considered subprime.

The FHLBank of Atlanta recognized an other-than-temporary impairment charge of $87 million related to three private-label MBS in its held-to-maturity securities portfolio. This other-than-temporary impairment charge is reported in the Combined Statement of Income as "Net realized losses on held-to-maturity securities." These impaired securities had a total amortized cost of $289 million and a fair value of $202 million at September 30, 2008. The remainder of the FHLBank of Atlanta's held-to-maturity portfolio that has not been designated as other-than-temporarily impaired has experienced unrealized losses and decreases in fair value due to interest rate volatility, illiquidity in the marketplace, and credit deterioration in the U.S. mortgage markets. This decline in fair value is considered temporary as the FHLBank of Atlanta expects to collect all contractual cash flows and the FHLBank of Atlanta has the ability and intent to hold these investments to maturity. The ability and intent of the FHLBank of Atlanta is demonstrated by the fact that the FHLBank of Atlanta is well capitalized, has sufficient liquidity and has no need to sell these securities, nor has the FHLBank of Atlanta entered into any contractual constraints that would affect such intent and ability.

FHLBank of Chicago. The FHLBank of Chicago's held-to-maturity portfolio had gross unrealized losses of $821 million at September 30, 2008. This amount does not include $96 million of remaining unrealized losses on securities transferred from the FHLBank of Chicago's available-for-sale securities portfolio on December 27, 2007, because the transfer was recorded at fair value. The original $138 million unrealized loss was recorded in accumulated other comprehensive income (OCI) and is being

amortized over the remaining life of the securities as a yield adjustment, offset by the interest income accretion related to the discount on the transferred securities. However, OCI on these securities is recognized immediately into earnings if an impairment charge is realized. In the third quarter and first nine months of 2008, the FHLBank of Chicago recognized $1 million and $23 million from OCI into realized losses on held-to-maturity securities due to other-than-temporary impairment.

The FHLBank of Chicago's held-to-maturity securities portfolio at September 30, 2008 included $4.1 billion of private issue mortgage-backed securities classified in this report as private-label residential MBS ($2.8 billion) and MBS backed by home equity loan investments ($1.3 billion). The majority of underlying mortgages collateralizing these securities were considered subprime or non-traditional. The FHLBank of Chicago's MBS portfolio had gross unrealized losses of $746 million at September 30, 2008. The FHLBank of Chicago performed an impairment analysis of this portfolio at September 30, 2008 to determine the recoverability of all principal and interest contractually due based on the securities' underlying collateral, delinquency and default rates and expected loss severities. Based on this analysis, the FHLBank of Chicago recognized an other-than-temporary impairment charge of $9 million and $72 million in the three and nine months ended September 30, 2008 related to MBS instruments in its held-to-maturity portfolio, which is reported in the Combined Statement of Income as "Net realized losses on held-to-maturity securities." The securities impaired in the third quarter of 2008 had a total carrying value of $55 million before impairment and a fair value of $46 million at September 30, 2008.

The remainder of the FHLBank of Chicago's held-to-maturity securities portfolio has experienced unrealized losses and a decrease in fair value due to interest rate volatility, illiquidity in the marketplace, and credit deterioration in the U.S. mortgage markets. However, the decline is considered temporary as the FHLBank of Chicago has the intent and ability to hold these investments to maturity and expects to collect all contractual principal and interest.

FHLBank of Seattle. The FHLBank of Seattle's held-to-maturity securities had gross unrealized losses of $1.5 billion at September 30, 2008; 99.96 percent of these unrealized losses related to the FHLBank of Seattle's MBS portfolio. The FHLBank of Seattle's held-to-maturity portfolio included $6 billion of private-label MBS as of September 30, 2008. Approximately 77 percent of the underlying mortgages collateralizing these securities was considered Alt-A and the remaining 23 percent was considered prime. None of the underlying mortgages collateralizing the private-label MBS portfolio was considered subprime.

As of September 30, 2008, the FHLBank of Seattle determined that it did not have sufficient persuasive evidence to conclude that the impairment of three private-label residential mortgage-backed securities was temporary and, accordingly, recognized an other-than-temporary impairment charge of $50 million. This other-than-temporary impairment is reported in the Combined Statement of Income as "Net realized losses on held-to-maturity securities." These securities had an amortized cost of $133 million and a fair value of $83 million at the time of impairment. The FHLBank of Seattle's estimated loss of principal of $5 million is significantly less than the other-than-temporary impairment charge; the difference between the expected loss and the impairment charge will be accreted to interest income over the remaining life of the securities using the interest method.

The FHLBank of Seattle believes that, as of September 30, 2008, the gross unrealized losses on the remainder of its held-to-maturity portfolio were primarily due to unusually wide mortgage-asset spreads, generally resulting from an illiquid market, as opposed to deterioration in the fundamental credit quality of these securities, which caused these assets to be valued at significant discounts to their acquisition costs. In addition, the FHLBank of Seattle has the ability and intent to hold these securities to recovery, which may not be until maturity. However, should market conditions and performance of mortgage assets continue to deteriorate, the FHLBank of Seattle could incur a material other-than-temporary impairment on its held-to-maturity securities, which could significantly affect its net income, retained earnings, dividend payments, and total shareholders' equity. A significant impairment could cause the FHLBank of Seattle to be out of compliance with regulatory capital requirements, which could result in, among other

things, further restriction of dividend payments or other actions being imposed on the FHLBank of Seattle by the Regulator.

Net Realized Gains (Losses) from Sale of Held-to-Maturity Securities. Certain FHLBanks sold securities out of their held-to-maturity securities portfolios during the three and/or nine months ended September 30, 2008 and September 30, 2007 that were either within three months of maturity or had less than 15 percent of the acquired principal outstanding at the time of the sale (except as noted in the footnotes to the table below for the FHLBanks of Boston, New York and Atlanta). In accordance with SFAS 115, such sales are considered as maturities for the purposes of security classification. The following table summarizes the gain (loss) on the sale of held-to-maturity securities for the three and nine months ended September 30, 2008 and 2007 (dollar amounts in millions).

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2008	2007	2008	2007
Boston	$ *	$	$ *	$
New York			1**	
Atlanta			**	
Chicago	***		***	
Des Moines				1
Topeka		***	***	(1)
Seattle		(2)	1	(6)
Total	$	$ (2)	$ 2	$ (6)

* During the third quarter of 2008, the FHLBank of Boston sold held-to-maturity mortgage-backed securities with a carrying value of $6 million and recognized a loss of $52 thousand on the sale of these securities. These mortgage-backed securities had been pledged as collateral to LBSF on out-of-the-money derivatives transactions. On September 15, 2008, LBHI announced it had filed a petition under Chapter 11 of the U.S. Bankruptcy Code with the United States Bankruptcy Court. This petition precipitated the termination of the FHLBank of Boston's derivative transactions with LBSF, and in connection with those terminations, the FHLBank of Boston requested a return of the related collateral. However, LBSF did not honor this request. Accordingly, the FHLBank of Boston netted the value of the collateral with the amounts due to LBSF on those outstanding derivative transactions. This event was determined by the FHLBank of Boston to be isolated, nonrecurring and unusual and could not have been reasonably anticipated. As such, the sale does not affect the FHLBank of Boston's ability and intent to hold the remaining investments classified as held-to-maturity through their stated maturity dates. The FHLBank of Boston did not have any other sales of held-to-maturity investment securities during the nine months ended September 30, 2008 and 2007. For additional information on securities transactions and derivative transactions affected by this event, please refer to the FHLBank of Boston's periodic report filed with the SEC.

** The FHLBanks of New York and Atlanta recognized a gain of $1 million or less during the nine months ended September 30, 2008 on a state and local housing agency bond that was redeemed by the issuer.

*** Represents an amount of less than $1 million.

Note 6—Advances

Redemption Terms. At September 30, 2008 and December 31, 2007, the FHLBanks had advances outstanding as summarized below (dollar amounts in millions).

	September 30, 2008		December 31, 2007	
Redemption Term	Amount	Weighted-Average Interest Rate	Amount	Weighted-Average Interest Rate
Overdrawn demand and overnight deposit accounts	$ 16		$ 86	
Due in 1 year or less	437,454	2.95%	288,696	4.51%
Due after 1 year through 2 years	176,340	3.73%	174,061	4.82%
Due after 2 years through 3 years	113,244	3.89%	124,529	4.96%
Due after 3 years through 4 years	66,030	3.90%	82,819	5.10%
Due after 4 years through 5 years	62,192	3.57%	67,280	4.86%
Thereafter	144,430	3.98%	126,363	4.57%
Index amortizing advances	3,721	4.63%	3,415	4.71%
Total par value	1,003,427	3.45%	867,249	4.73%
Commitment fees	(6)		(4)	
Discount on AHP advances	(67)		(68)	
Premiums	70		30	
Discounts	(44)		(63)	
SFAS 133 hedging adjustments	8,084		7,917	
SFAS 159 valuation adjustments	231			
Total	$1,011,695		$875,061	

Index amortizing advances require repayment in accordance with predetermined amortization schedules linked to various indices. Usually, as market interest rates rise (fall), the maturity of an index amortizing advance extends (contracts).

The FHLBanks offer advances to members that may be prepaid on pertinent dates (call dates) without incurring prepayment or termination fees (callable advances). Other advances may only be prepaid by paying a fee to the FHLBank (prepayment fee) that makes the FHLBank financially indifferent to the prepayment of the advance. At September 30, 2008 and December 31, 2007, the FHLBanks had callable advances of $47,459 million and $34,270 million.

The following table summarizes advances at September 30, 2008 and December 31, 2007, by year of contractual maturity or next call date for callable advances (dollar amounts in millions):

	September 30, 2008	Percentage of Total	December 31, 2007	Percentage of Total
Overdrawn demand and overnight deposit accounts	$ 16	0.0%	$ 86	0.0%
Due in 1 year or less	479,694	47.8%	316,830	36.6%
Due after 1 year through 2 years	171,270	17.0%	169,570	19.6%
Due after 2 years through 3 years	103,583	10.3%	121,340	14.0%
Due after 3 years through 4 years	59,738	6.0%	78,372	9.0%
Due after 4 years through 5 years	56,793	5.7%	62,813	7.2%
Thereafter	128,612	12.8%	114,823	13.2%
Index amortizing advances	3,721	0.4%	3,415	0.4%
Total par value	$1,003,427	100.0%	$867,249	100.0%

The FHLBanks also offer putable and convertible advances. With a putable advance, an FHLBank has the right to terminate the advance at predetermined exercise dates, which the FHLBank typically would exercise when interest rates increase, and the borrower may then apply for a new advance at the prevailing market rate. At September 30, 2008 and December 31, 2007, the FHLBanks had putable advances outstanding totaling $93,235 million and $82,845 million.

Convertible advances allow the FHLBanks to convert the fixed-rate advance to a variable-rate advance at the current market rate or another structure after an agreed-upon lockout period. At September 30, 2008 and December 31, 2007, the FHLBanks had convertible advances outstanding totaling $50,526 million and $49,055 million.

The following table summarizes advances at September 30, 2008 and December 31, 2007, by year of contractual maturity or next put/convert date for putable/convertible advances (dollar amounts in millions):

	September 30, 2008	Percentage of Total	December 31, 2007	Percentage of Total
Overdrawn demand and overnight deposit accounts	$ 16	0.0%	$ 86	0.0%
Due in 1 year or less	537,775	53.6%	376,111	43.3%
Due after 1 year through 2 years	182,571	18.2%	190,760	22.0%
Due after 2 years through 3 years	113,273	11.3%	116,883	13.5%
Due after 3 years through 4 years	51,534	5.1%	78,721	9.1%
Due after 4 years through 5 years	55,029	5.5%	49,378	5.7%
Thereafter	59,508	5.9%	51,895	6.0%
Index amortizing advances	3,721	0.4%	3,415	0.4%
Total par value	$1,003,427	100.0%	$867,249	100.0%

Interest-Rate Payment Terms. The following table details additional interest-rate payment terms for advances at September 30, 2008 and December 31, 2007 (dollar amounts in millions):

	September 30, 2008		December 31, 2007	
	Amount	Percentage of Total	Amount	Percentage of Total
Par amount of advances				
Fixed-rate	$ 678,201	67.6%	$565,805	65.2%
Variable-rate	325,226	32.4%	301,444	34.8%
Total	$1,003,427	100.0%	$867,249	100.0%

Note 7—Mortgage Loans Held for Portfolio

Under two programs, the FHLBanks hold single-family mortgage loans that are funded through, or credit-enhanced by, and serviced by members. The Finance Board previously authorized different and much smaller mortgage loan purchase programs not confined to single-family mortgage loans at the FHLBanks of New York and Atlanta. The FHLBanks of New York and Atlanta suspended acquisitions under these programs prior to 2007.

The following table presents information at September 30, 2008 and December 31, 2007 on mortgage loans held by all FHLBanks under all programs (dollar amounts in millions):

	September 30, 2008	Percentage of Total	December 31, 2007	Percentage of Total	(Decrease) Increase $	(Decrease) Increase %
Real Estate:						
Fixed-rate, medium-term* single-family mortgages	$21,594	24.7%	$23,280	25.6%	$(1,686)	(7.2)%
Fixed-rate, long-term single-family mortgages	65,883	75.3%	67,848	74.4%	(1,965)	(2.9)%
Multifamily mortgages	27	0.0%	27	0.0%		0.0%
	87,504	100.0%	91,155	100.0%	(3,651)	(4.0)%
Premiums	543		596		(53)	(8.9)%
Discounts	(268)		(285)		17	6.0%
Deferred loan costs, net	33		37		(4)	(10.8)%
SFAS 133 hedging adjustments	116		115		1	0.9%
Total mortgage loans held for portfolio	$87,928		$91,618		$(3,690)	(4.0)%

* Medium-term is defined as a term of 15 years or less.

The following table details the par value of mortgage loans held for portfolio outstanding at September 30, 2008 and December 31, 2007 (dollar amounts in millions):

	September 30, 2008	Percentage of Total	December 31, 2007	Percentage of Total	Decrease $	Decrease %
Conventional loans	$79,169	90.5%	$82,252	90.2%	$(3,083)	(3.7)%
Government-guaranteed or -insured loans	8,331	9.5%	8,899	9.8%	(568)	(6.4)%
Other loans	4	0.0%	4	0.0%		0.0%
Total par value	$87,504	100.0%	$91,155	100.0%	$(3,651)	(4.0)%

The allowances for credit losses on mortgage loans were as follows (dollar amounts in millions):

	September 30, 2008	December 31, 2007
Balance, beginning of period	$ 8	$7
Charge-offs	(1)	
Provision for credit losses	5	1
Balance, end of period	$12	$8

Note 8—Consolidated Obligations

General. Consolidated obligations consist of consolidated obligations—bonds and consolidated obligations—discount notes and as provided by the FHLBank Act or Finance Agency regulation, are backed only by the financial resources of the FHLBanks. The FHLBanks issue consolidated obligations through the Office of Finance as their agent. In connection with each debt issuance, each FHLBank specifies the amount of debt it wants issued on its behalf. The Office of Finance tracks the amount of debt issued on behalf of each FHLBank. In addition, each FHLBank separately tracks and records as a liability its specific portion of consolidated obligations for which it is the primary obligor.

The Finance Agency and the U.S. Secretary of the Treasury have oversight over the issuance of FHLBank debt through the Office of Finance. Consolidated obligations—bonds are issued primarily to raise intermediate and long-term funds for the FHLBanks and are not subject to any statutory or regulatory limits on their maturity. Consolidated obligations—discount notes are issued primarily to raise short-term funds. These notes sell at less than their face amount and are redeemed at par value when they mature.

During the third quarter of 2008, each FHLBank entered into a Lending Agreement with the U.S. Treasury in connection with the U.S. Treasury's establishment of the Government Sponsored Enterprise Credit Facility (GSECF), as authorized by the Housing Act. The GSECF is designed to serve as a contingent source of liquidity for the housing government-sponsored enterprises, including each of the 12 FHLBanks. Any borrowings by one or more of the FHLBanks under the GSECF are considered consolidated obligations with the same joint and several liability as all other consolidated obligations. The terms of any borrowings are agreed to at the time of issuance. Loans under the Lending Agreement are to be secured by collateral acceptable to the U.S. Treasury, which consists of FHLBank advances to members that have been collateralized in accordance with regulatory standards and mortgage-backed securities issued by Fannie Mae or Freddie Mac. Each FHLBank is required to submit to the Federal Reserve Bank of New York, acting as fiscal agent of the U.S. Treasury, a list of eligible collateral updated on a weekly basis. As of September 30, 2008 the FHLBanks had provided the U.S. Treasury with listings of advance collateral amounting to $246.6 billion. The amount of collateral can be increased or decreased (subject to the approval of the U.S. Treasury) at any time through the delivery of an updated listing of collateral. As of September 30, 2008, no FHLBank has drawn on this available source of liquidity.

Redemption Terms. The following is a summary of the FHLBanks' consolidated obligations—bonds outstanding, excluding interbank holdings of $595 million and $3.1 billion at September 30, 2008 and December 31, 2007, by year of contractual maturity (dollar amounts in millions):

	September 30, 2008		December 31, 2007	
Year of Contractual Maturity	Amount	Weighted-Average Interest Rate	Amount	Weighted-Average Interest Rate
Due in 1 year or less	$400,691	3.00%	$287,781	4.51%
Due after 1 year through 2 years	156,277	3.58%	176,493	4.71%
Due after 2 years through 3 years	77,169	4.05%	82,969	4.67%
Due after 3 years through 4 years	42,792	4.77%	49,500	5.02%
Due after 4 years through 5 years	69,415	4.40%	51,812	5.08%
Thereafter	124,899	5.15%	151,887	5.10%
Index amortizing notes	7,678	5.02%	7,835	5.02%
Total par value	878,921	3.72%	808,277	4.75%
Premiums	696		395	
Discounts	(4,944)		(8,894)	
SFAS 133 hedging adjustments	1,566		2,801	
SFAS 159 valuation adjustments	(237)			
Subtotal	876,002		802,579	
Bonds held in treasury			(5)	
Total	$876,002		$802,574	

The FHLBanks' consolidated obligations—bonds outstanding included (dollar amounts in millions):

Par amount of consolidated obligations—bonds	September 30, 2008	December 31, 2007
Noncallable/nonputable	$675,912	$496,085
Callable	203,009	312,192
Total par value	$878,921	$808,277

The following table summarizes consolidated obligations—bonds outstanding at September 30, 2008 and December 31, 2007 by year of contractual maturity or next call date (dollar amounts in millions):

Year of Contractual Maturity or Next Call Date	September 30, 2008	December 31, 2007
Due in 1 year or less	$538,889	$489,504
Due after 1 year through 2 years	159,546	149,459
Due after 2 years through 3 years	60,259	55,577
Due after 3 years through 4 years	21,021	27,096
Due after 4 years through 5 years	34,043	17,549
Thereafter	57,485	61,257
Index amortizing notes	7,678	7,835
Total par value	$878,921	$808,277

Note 9—Capital

The Gramm-Leach-Bliley Act of 1999 (GLB Act) required each FHLBank to adopt a capital plan and convert to a new capital structure. By July 18, 2002, the Finance Board had approved the capital plan of each FHLBank.

As of September 30, 2008, all of the FHLBanks, except for the FHLBank of Chicago, have implemented their respective capital plans. Each conversion was considered a capital transaction and was accounted for at par value. Each FHLBank that has converted to a new capital structure is subject to three capital requirements under its capital plan and the Finance Agency rules and regulations: (1) risk-based capital, (2) total capital and (3) leverage capital. First, under the risk-based capital requirement, each FHLBank must maintain at all times permanent capital, defined as Class B stock and retained earnings, in an amount at least equal to the sum of its credit risk, market risk, and operations risk capital requirements, all of which are calculated in accordance with the rules and regulations of the Finance Agency. The Finance Agency may require an FHLBank to maintain a greater amount of permanent capital than is required by the risk-based capital requirements as defined. Second, each FHLBank is required to maintain at all times a total capital-to-assets ratio of at least four percent. Total regulatory capital is the sum of permanent capital, Class A stock, any general loss allowance, if consistent with GAAP and not established for specific assets, and other amounts from sources determined by the Finance Agency as available to absorb losses. Third, each FHLBank is required to maintain at all times a leverage capital-to-assets ratio of at least five percent. Leverage capital is defined as the sum of (i) permanent capital weighted 1.5 times and (ii) all other capital without a weighting factor. Mandatorily redeemable capital stock is considered capital for determining an FHLBanks' compliance with its regulatory capital requirements. If the FHLBank of Chicago is not in compliance with these capital requirements at the effective date of its capital conversion, it must come into compliance within a transition period of up to three years. During that period, the existing leverage limit established by Finance Agency regulations will continue to apply. For the 11 FHLBanks that have implemented their respective capital plans, each FHLBank was in compliance with these capital requirements at the effective date of its capital conversion.

At September 30, 2008, all of the FHLBanks were in compliance with their risk-based capital requirements as follows (dollar amounts in millions):

Regulatory Capital Requirements

		At September 30, 2008				
FHLBank*	Minimum Regulatory Capital Ratio Requirement	Minimum Regulatory Capital Requirement	Actual Capital Ratio	Total Regulatory Capital (1)	Permanent Capital (2)	Required Risk-Based Capital
Boston	4.0%	$ 3,393	4.6%	$ 3,936	$ 3,936	$ 984
New York	4.0%	5,225	4.6%	6,030	6,030	701
Pittsburgh	4.0%	3,945	4.7%	4,594	4,581	1,952
Atlanta	4.0%	8,549	4.3%	9,096	9,096	2,734
Cincinnati	4.0%	3,891	4.5%	4,418	4,418	774
Indianapolis	4.0%	2,332	4.5%	2,644	2,644	503
Des Moines	4.0%	3,483	4.8%	4,222	4,222	659
Dallas	4.0%	3,429	4.3%	3,689	3,689	512
Topeka	4.0%	2,568	4.1%	2,634	2,051	648
San Francisco	4.0%	13,657	4.3%	14,793	14,793	3,983
Seattle	4.0%	3,048	4.2%	3,184	2,788	1,748

Regulatory Capital Requirements (continued)

FHLBank*	Minimum Leverage Ratio Requirement	At September 30, 2008 Minimum Weighted Leverage Capital Requirement	Actual Leverage Ratio	Actual Weighted Leverage Capital
Boston	5.0%	$ 4,242	7.0%	$ 5,904
New York	5.0%	6,531	6.9%	9,045
Pittsburgh	5.0%	4,931	7.0%	6,884
Atlanta	5.0%	10,686	6.4%	13,644
Cincinnati	5.0%	4,864	6.8%	6,627
Indianapolis	5.0%	2,916	6.8%	3,966
Des Moines	5.0%	4,353	7.3%	6,333
Dallas	5.0%	4,286	6.5%	5,534
Topeka	5.0%	3,210	5.7%	3,660
San Francisco	5.0%	17,071	6.5%	22,189
Seattle	5.0%	3,810	6.0%	4,578

* Excludes the FHLBank of Chicago, which had not implemented a new capital plan as of September 30, 2008.

(1) Total regulatory capital is defined as the sum of permanent capital, the amounts paid for Class A capital stock, any general allowance for losses and any other amount from sources available to absorb losses that the Finance Board has determined by regulation to be appropriate to include in determining total capital. Total regulatory capital also includes mandatorily redeemable capital stock.

(2) Permanent capital is defined as retained earnings and Class B stock. Mandatorily redeemable capital stock is considered capital for regulatory purposes.

The GLB Act made membership voluntary for all members. Members can redeem Class A stock by giving six months' written notice, and members can redeem Class B stock by giving five years' written notice, subject to certain restrictions. Any member that withdraws from membership may not be readmitted to membership in any FHLBank until five years from the divestiture date of all capital stock that is held as a condition of membership, as that requirement is set out in an FHLBank's capital plan, unless the institution has cancelled its notice of withdrawal prior to that date, before being readmitted to membership in any FHLBank. This restriction does not apply if the member is transferring its membership from one FHLBank to another on an uninterrupted basis.

Until the FHLBank of Chicago implements its new capital plan, the pre-GLB Act capital rules remain in effect. In particular, the pre-GLB Act rules require members to purchase capital stock equal to the greater of $500, 1 percent of its mortgage-related assets or 5 percent of its outstanding FHLBank advances. After entering into the Consent Cease and Desist Order (C&D Order) with the Finance Board on October 10, 2007, the FHLBank of Chicago's capital stock repurchases and redemptions, including redemptions upon membership withdrawal or other termination, require prior approval of the Director of the Office of Supervision of the Finance Board (OS Director). On July 24, 2008, the Finance Board amended the C&D Order to allow the FHLBank of Chicago to repurchase or redeem capital stock from members in connection with the repayment of advances that required new incremental purchases of capital stock to support increased borrowings through advances, subject to the conditions discussed in "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations—Legislative and Regulatory Developments—FHLBank of Chicago Consent Cease and Desist Order (C&D Order)."

As of September 30, 2008, the FHLBank of Chicago was in compliance with all of its minimum regulatory capital requirements. The following table summarizes the FHLBank of Chicago's regulatory capital requirements at September 30, 2008 as a percentage of its total assets (dollar amounts in millions):

Regulatory Capital (1)			
Requirement in effect		Actual	
Ratio (2)	Amount	Ratio	Amount
4.50%	$4,112	4.68%	$4,279

(1) Regulatory capital is defined as the sum of the paid-in value of capital stock and mandatorily redeemable capital stock (together defined as regulatory capital stock) plus retained earnings. The Finance Board allows the FHLBank of Chicago to include a designated amount of subordinated notes in determining compliance with its regulatory capital ratio.

(2) The regulatory capital ratio required by Finance Board regulations for the FHLBank of Chicago, which has not implemented a capital plan under the GLB Act, is 4.0 percent provided that its non-mortgage assets (defined as total assets less advances, acquired member assets, standby letters of credit, intermediary derivative contracts, certain MBS, and other investments specified by Finance Board regulation) after deducting its amount of deposits and capital are not greater than 11 percent of the FHLBank of Chicago's total assets. If the non-mortgage asset ratio is greater than 11 percent, the Finance Board regulations require a regulatory capital ratio of 4.76 percent. The C&D Order includes an additional minimum regulatory capital ratio of 4.5 percent, which supersedes the 4.0 percent regulatory requirement discussed above. The FHLBank of Chicago's non-mortgage assets on an average monthly basis were below 11 percent at September 30, 2008, thus it was subject to the 4.5 percent ratio at that date.

Under the C&D Order, the FHLBank of Chicago is required to maintain an aggregate amount of regulatory capital stock plus a designated amount of subordinated notes of at least $3.600 billion. At September 30, 2008, the FHLBank of Chicago had an aggregate amount of $3.739 billion of regulatory capital stock plus the designated amount of subordinated notes.

Note 10—Fair Value Disclosures

As discussed in Note 2, the FHLBanks adopted SFAS 157 and SFAS 159 on January 1, 2008. SFAS 157 defines fair value, establishes a framework for measuring fair value under GAAP and expands disclosures about fair value measurements. SFAS 157 applies whenever other accounting pronouncements require or permit assets or liabilities to be measured at fair value. Accordingly, SFAS 157 does not expand the use of fair value in any new circumstances. SFAS 159 provides entities with an option to report selected financial assets and financial liabilities at fair value. The FHLBanks do not necessarily use the same dealer prices, models and assumptions in determining the fair values of their respective assets, liabilities and derivatives.

The FHLBanks record trading securities, available-for-sale securities, derivative assets, and derivative liabilities as well as certain advances and certain consolidated obligations—bonds at fair value. Fair value is a market-based measurement and is defined as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The transaction to sell the asset or transfer the liability is a hypothetical transaction at the measurement date, considered from the perspective of a market participant that holds the asset or owes the liability. In general, the transaction price will equal the exit price and, therefore, represents the fair value of the asset or liability at initial recognition. In determining whether a transaction price represents the fair value of the asset or liability at initial recognition, each reporting entity is required to consider factors specific to the asset or liability, the principal or most advantageous market for the asset or liability, and market participants with whom the entity would transact in that market.

Fair Value Option. SFAS 159 provides an option to elect fair value as an alternative measurement for selected financial assets, financial liabilities, unrecognized firm commitments, and written loan commitments not previously carried at fair value. It requires entities to display the fair value of those assets and liabilities for which the entity has chosen to use fair value on the face of the statement of

condition. Under SFAS 159, fair value is used for both the initial and subsequent measurement of the designated assets, liabilities and commitments, with the changes in fair value recognized in net income. The FHLBanks adopted SFAS 159 on January 1, 2008. The FHLBank of San Francisco was the only FHLBank that elected the fair value option for certain financial assets and financial liabilities at the time of adoption. Upon adoption of SFAS 159, the FHLBank of San Francisco elected certain advances and consolidated obligations—bonds that are economically hedged to transition to the fair value option, as follows:

- adjustable rate credit advances with embedded options;
- callable fixed rate credit advances;
- putable fixed rate credit advances;
- putable fixed rate credit advances with embedded options;
- fixed rate credit advances with partial prepayment symmetry;
- callable or non-callable capped floater consolidated obligations—bonds;
- convertible consolidated obligations—bonds;
- floating or fixed rate range accrual consolidated obligations—bonds; and
- ratchet consolidated obligations—bonds.

In addition to the items transitioned to the fair value option on January 1, 2008, the FHLBank of San Francisco has elected that any new transactions in these categories will be accounted for in accordance with SFAS 159. In general, transactions elected for the fair value option in accordance with SFAS 159 are in economic hedge relationships.

During the third quarter of 2008, the FHLBanks of New York and Chicago also elected the fair value option for certain newly acquired financial assets and financial liabilities. The FHLBanks of New York, Chicago and San Francisco have elected the fair value option in accordance with SFAS 159 for certain additional categories, not listed above, for new transactions entered into after their respective election date, including, but not limited to, adjustable rate credit advances, fixed-rate short term consolidated obligations—bonds and adjustable rate consolidated obligations—bonds indexed to Federal funds, Treasury Bill, Constant Maturity Treasury (CMT), Constant Maturity Swap, 12-month Moving Treasury Average of a one-year CMT and Prime Rate. Each of the FHLBanks of New York, Chicago and San Francisco has elected some or all of these items for the fair value option in accordance with SFAS 159 to allow it to fair value the financial asset or financial liability to assist in mitigating potential income statement volatility that can arise from economic hedging relationships. This risk associated with using fair value only for the derivative is the FHLBanks of New York, Chicago and San Francisco's primary driver for electing the fair value option for financial assets and financial liabilities that do not qualify for hedge accounting under the provisions of SFAS 133 or for items that have not previously met or may be at risk for not meeting the SFAS 133 hedge effectiveness requirements.

Fair Value Hierarchy. SFAS 157 established a fair value hierarchy to prioritize the inputs of valuation techniques used to measure fair value. The inputs are evaluated and an overall level for the fair value measurement is determined. This overall level is an indication of the market observability of the fair value measurement. SFAS 157 clarifies fair value in terms of the price in an orderly transaction between market participants to sell an asset or transfer a liability in the principal (or most advantageous) market for the asset or liability at the measurement date (an exit price). In order to determine the fair value or the exit price, entities must determine the unit of account, highest and best use, principal market, and market participants. These determinations allow the reporting entity to define the inputs for fair value and level of hierarchy.

Outlined below is the application of the fair value hierarchy established by SFAS 157 to the FHLBanks' financial assets and financial liabilities that are carried at fair value.

Level 1 — inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets. An active market for the asset or liability is a market in which the transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. The types of assets and liabilities carried at Level 1 fair value generally include certain types of derivative contracts that are traded in an open exchange market, investments such as U.S. Treasury securities and publicly-traded mutual funds.

Level 2 — inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. The types of assets and liabilities carried at Level 2 fair value generally include investment securities, including U.S. government, agency and private-label mortgage-backed securities, derivative contracts, certain advances and certain consolidated obligations—bonds.

Level 3 — inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs are supported by little or no market activity and reflect the entity's own assumptions. The types of assets and liabilities carried at Level 3 fair value generally include certain types of investment securities that are backed by non-traditional mortgage loans or certain state or local housing agency obligations and an inverse floating-rate consolidated obligations—bond along with the derivative hedging that consolidated obligations—bond.

The FHLBanks are subject to credit risk in derivatives transactions due to potential nonperformance by the derivatives counterparties. To mitigate this risk, the FHLBanks enter into master netting agreements for interest-rate exchange agreements with highly-rated institutions. In addition, the FHLBanks have entered into bilateral security agreements with all active derivatives counterparties that provide for delivery of collateral at specified levels tied to counterparty credit ratings to limit the FHLBanks' net unsecured credit exposure to these counterparties. Each FHLBank has evaluated the potential for the fair value of the instruments to be affected by counterparty credit risk and has determined that no adjustments were significant or necessary to the overall fair value measurements.

In addition, adjustments may be necessary to reflect the FHLBanks' credit quality when valuing consolidated obligations—bonds measured at fair value. Due to the joint and several liability of consolidated obligations, each FHLBank monitors its own creditworthiness and the creditworthiness of the other FHLBanks to determine whether any credit adjustments are necessary in its fair value measurement of consolidated obligations—bonds. The credit ratings of the FHLBanks and any changes to these credit ratings are the basis for the FHLBanks to determine whether the fair values of consolidated obligations—bonds have been significantly affected during the reporting period by changes in the instrument-specific credit risk. For applicable FHLBanks, either no adjustment or an immaterial adjustment was made during the third quarter, as deemed appropriate by each FHLBank.

The FHLBanks utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Fair value is first determined based on quoted market prices or market-based prices, where available. If quoted market prices or market-based prices are not available, fair value is determined based on valuation models that use market-based information available to the FHLBanks as inputs to the models. For a discussion of an individual FHLBank's fair value measurement techniques, see that FHLBank's periodic report filed with the SEC.

Fair Value on a Recurring Basis. The following table presents, for each SFAS 157 hierarchy level, the FHLBanks' assets and liabilities that are measured at fair value on the Combined Statement of Condition at September 30, 2008 (dollar amounts in millions):

	Fair Value Measurements at September 30, 2008				
	Total	Level 1	Level 2	Level 3	Netting Adjustment (1)
Assets					
Trading securities	$ 7,848	$11	$ 7,837	$	$
Available-for-sale securities	11,308		11,082	226	
Advances (2)	41,934		41,934		
Derivative assets	1,334	1	3,722	22	(2,411)
Total assets at fair value	$ 62,424	$12	$ 64,575	$248	$(2,411)
Liabilities					
Consolidated obligations—bonds (3)	$(32,901)	$	$(32,832)	$ (69)	$
Derivative liabilities	(3,835)		(8,491)		4,656
Total liabilities at fair value	$(36,736)	$	$(41,323)	$ (69)	$ 4,656

(1) Amounts represent the effect of legally enforceable master netting agreements that allow the FHLBanks to net settle positive and negative positions and also cash collateral and related accrued interest held or placed with the same counterparties.

(2) Includes $38,865 million of advances recorded under the fair value option in accordance with SFAS 159 and $3,069 million of advances recorded at fair value in accordance with SFAS 133.

(3) Includes $30,268 million of consolidated obligations—bonds recorded under the fair value option in accordance with SFAS 159 and $2,633 million of consolidated obligations—bonds recorded at fair value in accordance with SFAS 133.

For instruments carried at fair value, the FHLBanks review the fair value hierarchy classifications on a quarterly basis. Changes in the observability of the valuation attributes may result in a reclassification of certain financial assets or liabilities. Such reclassifications are reported as transfers in/out of Level 3 at fair value in the quarter in which the changes occur.

The following table presents a reconciliation of all assets and liabilities that are measured at fair value on the Combined Statement of Condition using significant unobservable inputs (Level 3) for the nine months ended September 30, 2008 (dollar amounts in millions):

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Available-for-Sale Securities	Derivative Assets	Consolidated Obligations—Bonds
Balance at December 31, 2007	$247	$20	$(69)
Effect of SFAS 157 and SFAS 159 adoption			
Balance at January 1, 2008	247	20	(69)
Total gains or losses (realized/unrealized):			
Included in net gains on changes in fair value		2	
Included in other comprehensive income	(54)		
Purchases, issuances and settlements	27		
Transfers from Level 2 to Level 3	6		
Balance at September 30, 2008	$226	$22	$(69)
Total amount of gains for the period included in earnings attributable to the change in unrealized gains/losses relating to assets and liabilities still held at September 30, 2008	$	$ 2	$

The following table presents the changes in fair values for the three and nine months ended September 30, 2008 for items measured at fair value pursuant to the election of the fair value option (dollar amounts in millions):

	Interest Income/ (Interest Expense)	Net (Losses) Gains on Changes in Fair Value Under Fair Value Option	Total Changes in Fair Value Included in Current Period Earnings
Three months ended September 30, 2008:			
Advances	$ 287	$(144)	$143
Consolidated obligations—bonds	(168)	246	78
Total		$ 102	
Nine months ended September 30, 2008:			
Advances	$ 668	$(161)	$507
Consolidated obligations—bonds	(378)	309	(69)
Total		$ 148	

For items recorded under the fair value option, the related contractual interest income and contractual interest expense is recorded as part of net interest income on the Combined Statement of Income. The remaining changes in fair value for instruments in which the fair value option has been elected is recorded as "Net (losses) gains on advances and consolidated obligations—bonds held at fair value" in the Combined Statement of Income. The change in fair value, as shown in the table above, does not include changes in instrument-specific credit risk. The FHLBanks of New York, Chicago and San Francisco, the FHLBanks that have elected to record certain financial assets and financial liabilities

at fair value in accordance with SFAS 159 as of September 30, 2008, determined that no adjustments to the fair values of instruments recorded under the fair value option for instrument-specific credit risk were necessary.

The following table reflects the difference between the aggregate fair value and the aggregate remaining contractual principal balance outstanding as of September 30, 2008, for advances and consolidated obligations—bonds for which the fair value option has been elected (dollar amounts in millions):

	Aggregate Unpaid Principal Balance	Aggregate Fair Value	Fair Value Over/(Under) Aggregate Unpaid Principal Balance
Advances (1)	$38,634	$38,865	$ 231
Consolidated obligations—bonds	30,505	30,268	(237)

(1) At September 30, 2008, none of these advances were 90 days or more past due or had been placed on nonaccrual status.

Fair Value on a Nonrecurring Basis. The FHLBanks measure certain held-to-maturity securities at fair value on a nonrecurring basis. These held-to-maturity securities are not measured at fair value on an ongoing basis, but are subject to fair value adjustments only in certain circumstances (e.g., when there is evidence of other-than-temporary impairment).

In accordance with the provisions of SFAS 115, as amended by FSP No. 115-1, *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments* (FSP 115-1), the FHLBanks of Atlanta, Chicago and Seattle recognized other-than-temporary impairment charges during the three months ended September 30, 2008, which were recorded in other non-interest income.

- The FHLBank of Atlanta's held-to-maturity securities with a carrying amount of $289 million were written down to their fair value of $202 million, resulting in an other-than-temporary impairment charge of $87 million.

- The FHLBank of Chicago's held-to-maturity securities with a carrying amount of $55 million were written down to their fair value of $46 million, resulting in an other-than-temporary impairment charge of $9 million.

- The FHLBank of Seattle's held-to-maturity securities with a carrying amount of $133 million were written down to their fair value of $83 million, resulting in an other-than-temporary impairment charge of $50 million.

The following table presents these investment securities and mortgage loans by level within the SFAS 157 valuation hierarchy as of September 30, 2008, for which a nonrecurring change in fair value has been recorded during the periods ended September 30, 2008, and the total change in value of these assets for which a fair value adjustment has been included in the Combined Statement of Income for the three months ended September 30, 2008 (dollar amounts in millions):

	Fair Value Measurements at September 30, 2008 Using				For the Three Months Ended September 30, 2008
	Total	Level 1	Level 2	Level 3	Loss
Held-to-maturity securities	$331	$	$	$331	$(146)
Impaired MPF Loans	8			8	*

* Represents an amount of less than $1 million.

Estimated Fair Values. The carrying values and estimated fair values of the FHLBanks' financial instruments at September 30, 2008, were as follows (dollar amounts in millions):

Financial Instruments	September 30, 2008		
	Carrying Value	Net Unrealized Gains/(Losses)	Estimated Fair Value
Assets:			
Cash and due from banks	$ 6,560	$	$ 6,560
Securities purchased under agreements to resell	2,300		2,300
Federal funds sold	94,331	(8)	94,323
Trading securities	7,848		7,848
Available-for-sale securities	11,308		11,308
Held-to-maturity securities	200,228	(14,232)	185,996
Advances	1,011,695	(3,828)	1,007,867
Mortgage loans held for portfolio, net	87,916	(1,121)	86,795
Accrued interest receivable	4,243		4,243
Derivative assets	1,334		1,334
Liabilities:			
Deposits	(27,091)	2	(27,089)
Securities sold under repurchase agreements	(1,722)	(47)	(1,769)
Consolidated obligations:			
Discount notes	(446,820)	157	(446,663)
Bonds	(876,002)	4,512	(871,490)
Mandatorily redeemable capital stock	(4,916)		(4,916)
Accrued interest payable	(7,397)		(7,397)
Derivative liabilities	(3,835)		(3,835)
Subordinated notes	(1,000)	38	(962)

The carrying values and estimated fair values of the FHLBanks' financial instruments at December 31, 2007, were as follows (dollar amounts in millions):

Financial Instruments	December 31, 2007 Carrying Value	Net Unrealized Gains/(Losses)	Estimated Fair Value
Assets:			
Cash and due from banks	$ 320	$	$ 320
Securities purchased under agreements to resell	800		800
Federal funds sold	85,818	5	85,823
Trading securities	6,809		6,809
Available-for-sale securities	5,813		5,813
Held-to-maturity securities	197,818	(2,041)	195,777
Advances	875,061	1,212	876,273
Mortgage loans held for portfolio, net	91,610	(926)	90,684
Accrued interest receivable	5,614		5,614
Derivative assets	1,306		1,306
Liabilities:			
Deposits	(20,893)	1	(20,892)
Securities sold under repurchase agreements	(1,400)	(72)	(1,472)
Other borrowings	(100)		(100)
Consolidated obligations:			
Discount notes	(376,342)	(25)	(376,367)
Bonds	(802,574)	(3,460)	(806,034)
Mandatorily redeemable capital stock	(1,107)		(1,107)
Accrued interest payable	(8,187)		(8,187)
Derivative liabilities	(3,789)		(3,789)
Subordinated notes	(1,000)	(75)	(1,075)

Note 11—Subsequent Events

Banking Operations of Wachovia to be Acquired by Wells Fargo. On October 3, 2008, Wells Fargo & Company (Wells Fargo) and Wachovia Corporation (Wachovia) announced that they entered into a definitive agreement for the merger of the two companies including all of Wachovia's banking operations in a whole company transaction, in which Wells Fargo will acquire all of Wachovia and all its businesses and obligations, including its preferred equity and indebtedness, and all its banking deposits and that the completion of the merger is subject to shareholder approvals by Wachovia and customary approval by regulators. If FHLBank capital stock held by a member is transferred to a nonmember as a result of a merger or other transactions and termination of membership becomes certain to occur, the stock will be classified as mandatorily redeemable. Wachovia Mortgage, FSB, a subsidiary of Wachovia, is the FHLBank of San Francisco's third largest borrower and stockholder, Wachovia Bank, FSB is the largest borrower and shareholder of the FHLBank of Dallas and Wachovia Bank, National Association is one of the FHLBank of Atlanta's largest borrowers.

FHLBank of Pittsburgh. The FHLBank of Pittsburgh terminated multiple interest rate swap transactions with LBSF effective September 19, 2008. On October 7, 2008, the FHLBank of Pittsburgh filed an adversary proceeding against J.P. Morgan Chase Bank, N.A. (JP Morgan) and LBSF in the Bankruptcy Court alleging constructive trust, conversion, breach of contract, unjust enrichment and injunction claims relating to the right of the FHLBank of Pittsburgh to the return of the $42 million in

FHLBank of Pittsburgh posted cash collateral held by JP Morgan in a custodial account established by LBSF as a fiduciary for the benefit of the FHLBank of Pittsburgh.

FHLBank of Atlanta. On October 3, 2008, the FHLBank of Atlanta filed suit in New York State Court against LBSF with respect to certain terminated derivative transactions. Later that same day, LBSF filed for bankruptcy protection, and the FHLBank of Atlanta's action has now been stayed pursuant to applicable bankruptcy law.

FHLBank of Indianapolis. On October 1, 2007, ABN AMRO Holdings NV sold its North American bank holding company, the parent of LaSalle Bank Corporation and its subsidiaries, including the FHLBank of Indianapolis' member, LaSalle Bank Midwest, NA (LaSalle) to Bank of America Corporation, which currently has no other bank charters in the FHLBank of Indianapolis district. As of October 17, 2008, Bank of America Corporation consolidated the LaSalle bank charter into a Bank of America Corporation charter located in another FHLBank district. Consequently, while LaSalle may continue to conduct business in Michigan, at this time the FHLBank of Indianapolis is no longer able to make additional advances to or purchase mortgage loans from LaSalle. However, the FHLBank of Indianapolis' current mortgage loans purchased from LaSalle and its affiliates of $3.624 billion, representing 40.8 percent of the FHLBank of Indianapolis' mortgage loans outstanding, at par, as of September 30, 2008, will remain outstanding until maturity or prepayment. The FHLBank of Indianapolis also is required to repurchase any outstanding capital stock owned by LaSalle by the later of five years after the date of termination of its charter in the FHLBank of Indianapolis' district or the repayment of all outstanding obligations to it. As of September 30, 2008, the FHLBank of Indianapolis held $5.000 billion par value of advances to LaSalle, which represented 16.5 percent of the FHLBank of Indianapolis' total advances, at par. LaSalle had a capital stock balance of $334 million as of September 30, 2008, which represented 14.0 percent of the FHLBank of Indianapolis' capital stock balance. In accordance with SFAS No. 150, *Accounting for Certain Instruments with Characteristics of Both Liabilities and Equity*, as a result of its charter termination in the FHLBank of Indianapolis' district on October 17, 2008, LaSalle's capital stock has been reclassified as mandatorily redeemable capital stock and will be reflected as a liability.

FHLBank of Chicago. On October 17, 2008, LaSalle National Bank, N.A. was merged into Bank of America, N.A. and became ineligible for membership as Bank of America, N.A. has its principal place of business in Charlotte, North Carolina. As of September 30, 2008, LaSalle Bank, N.A. held 8 percent of the FHLBank of Chicago's outstanding capital stock and 13 percent of the FHLBank of Chicago's outstanding advances. This capital stock will be reclassified to mandatorily redeemable capital stock in the fourth quarter.

FHLBank of San Francisco. On September 25, 2008, the FDIC was appointed receiver for Washington Mutual Bank. In connection with the receivership, JPMorgan Chase Bank, National Association, a nonmember, assumed Washington Mutual Bank's outstanding FHLBank of San Francisco advances and acquired the associated FHLBank of San Francisco's capital stock, which became mandatorily redeemable. As of the receivership date, Washington Mutual Bank was the FHLBank of San Francisco's second largest borrower and stockholder, and JPMorgan Chase Bank, National Association, is the FHLBank of San Francisco's second largest borrower and stockholder. JPMorgan Chase Bank, National Association, remains obligated for all of Washington Mutual Bank's outstanding advances and continues to hold the FHLBank of San Francisco's capital stock it acquired from the FDIC as receiver for Washington Mutual Bank. On October 24, 2008, JPMorgan Bank and Trust Company, National Association, an affiliate of JPMorgan Chase Bank, National Association, became a member of the FHLBank of San Francisco.

On October 14, 2008, the FDIC invoked the systemic risk exception of the FDIC Improvement Act of 1991 to temporarily provide a 100 percent guarantee for senior unsecured debt newly issued by FDIC-insured institutions and their holding companies. On November 21, 2008, the FDIC issued a final rule relating to the guarantee program and its implementation. The guarantee program is voluntary. All eligible entities will be covered under the guarantee program for the first 30 days; prior to the end of this period, eligible entities must inform the FDIC whether they will opt out of the guarantee program. The

guarantee program will apply to all senior unsecured debt newly issued by eligible institutions between October 14, 2008, and June 30, 2009; the debt is guaranteed for up to three years beyond June 30, 2009.

FHLBank of Seattle. On September 25, 2008, in a transaction facilitated by the FDIC, Washington Mutual Bank, FSB was acquired by JPMorgan Chase, a non-member. In early October 2008, JPMorgan Chase notified the FHLBank of Seattle that it had merged Washington Mutual Bank, FSB into a non-member entity, JPMorgan Chase Bank, N.A. that assumed the fully collateralized, related advances and capital stock of the FHLBank of Seattle. Effective October 7, 2008, the FHLBank of Seattle reclassified Washington Mutual Bank, FSB's membership to that of non-member shareholder that is no longer able to enter into new borrowing arrangements with the FHLBank of Seattle and transferred its $163.9 million in Class A stock and $750.8 million in Class B stock to mandatorily redeemable capital stock on the Statement of Condition.

In October 2008, following its quarterly review of excess capital stock balances, the FHLBank of Seattle repurchased $168.1 million of Class A stock from its members.

In November 2008, one of the FHLBank of Seattle's two securities with credit enhancements provided by MBIA was downgraded from "A" to "Baa". The security's par value is $1.1 million.

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FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CONDITION
SEPTEMBER 30, 2008

(Dollar amounts in millions)
(Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
ASSETS						
Cash and due from banks	$ 6,560	$	$ 109	$ 471	$ 111	$ 8
Deposits with other FHLBanks		(13)			10	3
Securities purchased under agreements to resell	2,300					
Federal funds sold	94,331		4,241	6,412	4,485	16,775
Trading securities	7,848	(592)	78		7	4,233
Available-for-sale securities	11,308	(42)	1,101	2,964	26	
Held-to-maturity securities	200,228		11,111	15,486	14,788	23,893
Advances	1,011,695		63,787	103,325	72,493	164,285
Mortgage loans held for portfolio	87,928		4,051	1,461	6,117	3,338
Less: allowance for credit losses on mortgages loans	12			1	4	1
Mortgage loans held for portfolio, net	87,916		4,051	1,460	6,113	3,337
Accrued interest receivable	4,243	(6)	299	451	460	758
Premises, software, and equipment, net	199		6	14	23	28
Derivative assets	1,334		12	32	18	249
Other assets	780	4	40	14	95	150
Total assets	$1,428,742	$ (649)	$84,835	$130,629	$98,629	$213,719
LIABILITIES						
Deposits:						
Interest-bearing:						
Demand and overnight	$ 25,248	$	$ 1,139	$ 2,400	$ 2,997	$ 7,947
Term	1,591		62	331	23	
Deposits from other FHLBanks		(13)				
Other	50		3			
Total interest-bearing	26,889	(13)	1,204	2,731	3,020	7,947
Non-interest-bearing:						
Demand and overnight	70			2	32	
Other	132		8			
Total non-interest-bearing	202		8	2	32	
Total deposits	27,091	(13)	1,212	2,733	3,052	7,947
Borrowings:						
Securities sold under agreements to repurchase	1,722					260
Total borrowings	1,722					260
Consolidated obligations, net:						
Discount notes	446,820		43,657	28,678	26,409	55,513
Bonds	876,002	(595)	35,297	91,731	63,466	138,634
Total consolidated obligations, net	1,322,822	(595)	78,954	120,409	89,875	194,147
Mandatorily redeemable capital stock	4,916		93	144	4	35
Accrued interest payable	7,397	(6)	313	651	556	1,172
Affordable Housing Program	921		57	121	69	138
Payable to REFCORP	135		12	10	24	
Derivative liabilities	3,835		367	700	412	829
Other liabilities	1,842		32	56	75	133
Subordinated notes	1,000					
Total liabilities	1,371,681	(614)	81,040	124,824	94,067	204,661
CAPITAL						
Capital Stock:						
Capital stock Class B putable ($100 par value per share) issued and outstanding	50,182		3,566	5,504	4,195	8,700
Capital stock Class A putable ($100 par value per share) issued and outstanding	944					
Capital stock Pre-conversion putable ($100 par value per share) issued and outstanding	2,561					
Total capital stock	53,687		3,566	5,504	4,195	8,700
Retained earnings	3,870	(32)	277	382	382	361
Accumulated other comprehensive income:						
Net unrealized losses on available-for-sale securities	(254)		(44)	(44)	(13)	
Net unrealized losses on held-to-maturity securities transferred from available-for-sale securities	(96)					
Net unrealized losses relating to hedging activities	(119)	(3)		(32)	(1)	
Pension and postretirement benefits	(27)		(4)	(5)	(1)	(3)
Total capital	57,061	(35)	3,795	5,805	4,562	9,058
Total liabilities and capital	$1,428,742	$ (649)	$84,835	$130,629	$98,629	$213,719
Supplemental Disclosures:						
Advances held at fair value under fair value option included in advances total	$ 38,865	$	$	$	$	$
Consolidated obligations—bonds held at fair value under fair value option included in consolidated obligations—bonds total	$ 30,268	$	$	$ 585	$	$

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 15	$ 6	$ 1,483	$ 557	$ 11	$ 1,328	$ 2,459	$ 2
300							2,000
10,506	10,010	550	2,056	5,970	6,484	16,360	10,482
3		1,656		4	2,422	37	
28	1,615	1,200	4,052	364			
14,665	6,885	17,657	5,760	10,794	13,474	53,830	11,885
62,928	30,690	35,469	63,897	68,002	37,443	263,045	46,331
8,522	8,899	32,844	10,576	339	2,774	3,796	5,211
		3		1	1	1	
8,522	8,899	32,841	10,576	338	2,773	3,795	5,211
263	152	367	122	161	153	886	177
10	9	32	7	21	17	19	13
15	5	33	17	50	27	807	69
28	40	81	25	15	72	191	25
$97,283	$58,311	$91,369	$87,069	$85,730	$64,193	$341,429	$76,195
$ 1,224	$ 1,077	$ 906	$ 1,130	$ 3,469	$ 1,507	$ 373	$ 1,079
103	60	31	199	169	27	231	355
		13					
17						30	
1,344	1,137	950	1,329	3,638	1,534	634	1,434
		2	34				
1	3	111			7	2	
1	3	113	34		7	2	
1,345	1,140	1,063	1,363	3,638	1,541	636	1,434
		1,200					262
		1,200					262
43,007	18,522	19,163	41,753	23,084	29,286	87,455	30,293
47,747	35,105	64,719	39,217	54,710	30,099	235,290	40,582
90,754	53,627	83,882	80,970	77,794	59,385	322,745	70,875
131	206	178	11	36	35	3,898	145
419	374	784	367	444	269	1,730	324
103	35	29	43	54	39	210	23
17	12		11	19	5	25	
146	398	226	178	18	276	225	60
87	96	116	21	77	46	1,068	35
		1,000					
93,002	55,888	88,478	82,964	82,080	61,596	330,537	73,158
3,968	2,174		3,807	3,355	1,819	10,614	2,480
					548		396
		2,561					
3,968	2,174	2,561	3,807	3,355	2,367	10,614	2,876
319	264	540	404	299	232	280	162
(1)	(11)	(32)	(105)	(4)			
		(96)					
		(82)				(1)	
(5)	(4)		(1)		(2)	(1)	(1)
4,281	2,423	2,891	4,105	3,650	2,597	10,892	3,037
$97,283	$58,311	$91,369	$87,069	$85,730	$64,193	$341,429	$76,195
$	$	$ 199	$	$	$	$ 38,666	$
$	$	$ 25	$	$	$	$ 29,658	$

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CONDITION DECEMBER 31, 2007

(Dollar amounts in millions except per share amounts) (Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
ASSETS						
Cash and due from banks	$ 320	$	$ 7	$ 8	$ 67	$ 19
Deposits with other FHLBanks		(9)			4	4
Securities purchased under agreements to resell	800		500			
Federal funds sold	85,818		2,908	4,381	4,725	14,835
Trading securities	6,809	(522)	113		8	4,628
Available-for-sale securities	5,813	(42)	1,064	13	42	
Held-to-maturity securities	197,818	(2,525)	13,278	20,585	19,912	22,060
Advances	875,061		55,680	82,090	68,798	142,867
Mortgage loans held for portfolio	91,618		4,091	1,493	6,221	3,527
Less: allowance for credit losses on mortgages loans	8			1	1	1
Mortgage loans held for portfolio, net	91,610		4,091	1,492	6,220	3,526
Loans to other FHLBanks		(955)		55	500	
Accrued interest receivable	5,614	(39)	457	562	529	825
Premises, software, and equipment, net	208		6	13	25	31
Derivative assets	1,306		67	29	47	43
Other assets	623	4	29	17	59	100
Total assets	$1,271,800	$(4,088)	$78,200	$109,245	$100,936	$188,938
LIABILITIES						
Deposits:						
Interest-bearing:						
Demand and overnight	$ 19,912	$	$ 673	$ 1,585	$ 2,235	$ 7,115
Term	749		31	17		
Deposits from other FHLBanks		(9)				
Other	24		3	1		
Total interest-bearing	20,685	(9)	707	1,603	2,235	7,115
Non-interest-bearing:						
Demand and overnight	84			3	21	20
Other	124		6			
Total non-interest-bearing	208		6	3	21	20
Total deposits	20,893	(9)	713	1,606	2,256	7,135
Borrowings:						
Loans from other FHLBanks		(955)				
Securities sold under agreements to repurchase	1,400					
Other	100					
Total borrowings	1,500	(955)				
Consolidated obligations, net:						
Discount notes	376,342		42,988	34,791	34,685	28,348
Bonds	802,574	(3,055)	30,422	66,326	58,613	142,237
Total consolidated obligations, net	1,178,916	(3,055)	73,410	101,117	93,298	170,585
Mandatorily redeemable capital stock	1,107		31	239	4	55
Accrued interest payable	8,187	(39)	280	656	557	1,460
Affordable Housing Program	893		49	119	60	156
Payable to REFCORP	212		16	24	16	31
Derivative liabilities	3,789		287	672	431	1,306
Other liabilities	1,706		26	61	29	188
Subordinated notes	1,000					
Total liabilities	1,218,203	(4,058)	74,812	104,494	96,651	180,916
CAPITAL						
Capital Stock:						
Capital stock Class B putable ($100 par value per share) issued and outstanding	46,701		3,164	4,368	3,995	7,556
Capital stock Class A putable ($100 par value per share) issued and outstanding	891					
Capital stock Pre-conversion putable ($100 par value per share) issued and outstanding	2,661					
Total capital stock	50,253		3,164	4,368	3,995	7,556
Retained earnings	3,689	(26)	226	418	296	469
Accumulated other comprehensive income:						
Net unrealized losses on available-for-sale securities	(41)				(2)	
Net unrealized losses on held-to-maturity securities transferred from available-for-sale securities	(138)					
Net unrealized (losses) gains relating to hedging activities	(137)	(4)	1	(30)	(3)	
Pension and postretirement benefits	(29)		(3)	(5)	(1)	(3)
Total capital	53,597	(30)	3,388	4,751	4,285	8,022
Total liabilities and capital	$1,271,800	$(4,088)	$78,200	$109,245	$100,936	$188,938

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 53	$ 7	$ 17	$ 59	$ 75	$ 2	$ 5	$ 1
				1			
300							
10,136	11,261	10,286	1,805	7,100	5,150	11,680	1,551
4		863		3	1,654	58	
		941	3,433	362			
14,238	8,375	11,481	4,005	8,535	13,712	53,175	10,987
53,310	26,770	30,221	40,412	46,298	32,057	251,034	45,524
8,928	9,397	34,625	10,802	382	2,353	4,133	5,666
		2		1	1	1	
8,928	9,397	34,623	10,802	381	2,352	4,132	5,666
				400			
305	193	364	130	189	197	1,590	312
8	9	40	7	23	18	16	12
28	3	111	61	65	78	642	132
25	40	80	22	26	85	114	22
$87,335	$56,055	$89,027	$60,736	$63,458	$55,305	$322,446	$64,207
$ 911	$ 556	$ 840	$ 802	$ 2,877	$ 1,333	$ 223	$ 762
117		114	40	211	1	16	202
		9					
18						2	
1,046	556	963	842	3,088	1,334	241	964
		19	21				
	1	107			7	3	
	1	126	21		7	3	
1,046	557	1,089	863	3,088	1,341	244	964
						955	
		1,200	200				
						100	
		1,200	200			1,055	
35,437	22,171	19,057	21,501	24,120	19,896	78,368	14,980
46,179	30,254	62,642	34,564	32,855	31,213	225,328	44,996
81,616	52,425	81,699	56,065	56,975	51,109	303,696	59,976
118	163	22	46	82	36	229	82
431	319	605	301	341	321	2,432	523
103	30	45	43	48	42	175	23
17	10	10	6	8	11	58	5
161	305	232	138	23	109	102	23
88	47	56	22	288	38	828	35
		1,000					
83,580	53,856	85,958	57,684	60,853	53,007	308,819	61,631
3,473	2,003		2,717	2,394	1,487	13,403	2,141
					604		287
		2,661					
3,473	2,003	2,661	2,717	2,394	2,091	13,403	2,428
287	202	659	361	212	209	227	149
		(13)	(25)	(1)			
		(138)					
		(99)				(2)	
(5)	(6)	(1)	(1)		(2)	(1)	(1)
3,755	2,199	3,069	3,052	2,605	2,298	13,627	2,576
$87,335	$56,055	$89,027	$60,736	$63,458	$55,305	$322,446	$64,207

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF INCOME FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2008

(Dollar amounts in millions) (Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
INTEREST INCOME						
Advances	$ 6,769	$	$464	$679	$470	$1,040
Prepayment (credits) fees on advances, net	(7)					
Interest-bearing deposits	9			4	2	2
Securities purchased under agreements to resell	12					
Federal funds sold	436		5	21	20	77
Trading securities	111	(10)	1			81
Available-for-sale securities	88	(1)	6	25		
Held-to-maturity securities	2,232		110	189	187	303
Mortgage loans held for portfolio	1,122		52	19	79	46
Other	1					
Total interest income	10,773	(11)	638	937	758	1,549
INTEREST EXPENSE						
Consolidated obligations—Discount notes	2,257		248	141	138	237
Consolidated obligations—Bonds	6,952	(9)	301	628	537	1,049
Deposits	94		4	8	9	23
Securities sold under agreements to repurchase	17					1
Subordinated notes	14					
Mandatorily redeemable capital stock	16			2		1
Other borrowings	1		1			
Total interest expense	9,351	(9)	554	779	684	1,311
NET INTEREST INCOME	1,422	(2)	84	158	74	238
Provision for credit losses	4				3	
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	1,418	(2)	84	158	71	238
OTHER (LOSS) INCOME						
Service fees	8		1		1	1
Net gains (losses) on trading securities	11				(1)	31
Net realized (losses) gains on available-for-sale securities	(2)					
Net realized losses on held-to-maturity securities	(146)					(87)
Net gains (losses) on advances and consolidated obligations—bonds held at fair value	102			4		
Net (losses) gains on derivatives and hedging activities	(262)		(3)	(25)	72	(45)
Other, net	7	(2)		1	2	(1)
Total other (loss) income	(282)	(2)	(2)	(20)	74	(101)
OTHER EXPENSE						
Operating	181		12	17	12	26
Finance Agency/Finance Board	9		1			2
Office of Finance	8		1	1	1	1
Provision for derivative counterparty credit losses	252			66		170
Other, net	5	(1)	1			
Total other expense	455	(1)	15	84	13	199
INCOME (LOSS) BEFORE ASSESSMENTS	681	(3)	67	54	132	(62)
Affordable Housing Program	57		6	5	11	(5)
REFCORP	118		12	9	25	(11)
Total assessments	175		18	14	36	(16)
NET INCOME (LOSS)	$ 506	$ (3)	$ 49	$ 40	$ 96	$ (46)

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$438	$227	$276	$371	$434	$257	$1,841	$272
1		1		1		(10)	
1							
3							9
33	65	26	19	18	16	78	58
		12			27		
	11	13	32	2			
183	83	197	57	87	133	585	118
112	117	410	133	5	35	48	66
					1		
771	503	935	612	547	469	2,542	523
229	105	113	174	105	154	462	151
443	321	739	353	367	230	1,673	320
6	4	5	6	13	4	6	6
		12			1		3
		14					
1	3				1	8	
679	433	883	533	485	390	2,149	480
92	70	52	79	62	79	393	43
		1					
92	70	51	79	62	79	393	43
		1	1	1	1	1	
		(3)			(16)		
		1		(3)			
		(9)					(50)
		(1)				99	
10	6	18	(2)	56	(29)	(326)	6
2	1	3		2	1	1	(3)
12	7	10	(1)	56	(43)	(225)	(47)
10	10	26	10	14	9	25	10
		1		1		3	1
1		1	1			1	
			5	1			10
3	1						1
14	11	28	16	16	9	29	22
90	66	33	62	102	27	139	(26)
8	6		5	8	2	13	(2)
16	12		11	19	5	25	(5)
24	18		16	27	7	38	(7)
$ 66	$ 48	$ 33	$ 46	$ 75	$ 20	$ 101	$ (19)

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF INCOME FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2007

(Dollar amounts in millions) (Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
INTEREST INCOME						
Advances	$ 9,733	$	$573	$ 884	$ 796	$1,669
Prepayment fees on advances, net	5		1	1		
Interest-bearing deposits	4					1
Securities purchased under agreements to resell	19		8			
Federal funds sold	1,223		68	58	51	223
Trading securities	83	(5)	2			66
Available-for-sale securities	104		11			
Held-to-maturity securities	2,382	(25)	129	258	215	248
Mortgage loans held for portfolio	1,202		54	21	84	46
Other	2					
Total interest income	14,757	(30)	846	1,222	1,146	2,253
INTEREST EXPENSE						
Consolidated obligations - Discount notes	2,725		298	211	338	202
Consolidated obligations - Bonds	10,538	(30)	462	849	692	1,779
Deposits	249		11	33	20	79
Securities sold under agreements to repurchase	35					3
Subordinated notes	14					
Mandatorily redeemable capital stock	16			3		3
Total interest expense	13,577	(30)	771	1,096	1,050	2,066
NET INTEREST INCOME	1,180		75	126	96	187
Reversal for credit losses	(1)				(1)	
NET INTEREST INCOME AFTER REVERSAL FOR CREDIT LOSSES	1,181		75	126	97	187
OTHER INCOME (LOSS)						
Service fees	8		1	1	1	1
Net gains on trading securities	124					93
Net realized (losses) gains from sale of available-for-sale securities	(1)					
Net realized losses from sale of held-to-maturity securities	(2)					
Net (losses) gains on derivatives and hedging activities	(124)		5	8	4	(73)
Other, net	2	(1)		(1)		(1)
Total other income (loss)	7	(1)	6	8	5	20
OTHER EXPENSE						
Operating	171		11	16	12	23
Finance Agency/Finance Board	9		1	1	1	1
Office of Finance	8			1	1	2
Other, net	1	(1)	1			
Total other expense	189	(1)	13	18	14	26
INCOME BEFORE ASSESSMENTS	999		68	116	88	181
Affordable Housing Program	83		6	10	7	15
REFCORP	184		12	21	17	33
Total assessments	267		18	31	24	48
NET INCOME	$ 732	$	$ 50	$ 85	$ 64	$ 133

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 686	$320	$ 316	$339	$527	$406	$2,741	$476
			1		1	1	
				2	1		
6			4			1	
77	126	164	49	66	86	170	85
		10			9	1	
9		36	40	7	1		
226	104	165	67	114	183	549	149
120	126	454	138	5	30	51	73
				1	1		
1,124	676	1,145	638	722	718	3,514	783
288	165	179	117	127	207	527	66
713	447	834	457	502	438	2,736	659
12	10	9	11	38	12	2	12
		25	7				
		14					
3	3			1	1	2	
1,016	625	1,061	592	668	658	3,267	737
108	51	84	46	54	60	247	46
108	51	84	46	54	60	247	46
			1	1	1	1	
		16			15		
		1			(2)		
							(2)
(4)	1	(21)	2	1	(10)	(40)	3
1		2		2			
(3)	1	(2)	3	4	4	(39)	1
10	9	29	9	13	8	21	10
1		1		1		2	
1		1	1			1	
1							
13	9	31	10	14	8	24	10
92	43	51	39	44	56	184	37
8	4	3	3	4	5	15	3
17	8	10	7	8	10	34	7
25	12	13	10	12	15	49	10
$ 67	$ 31	$ 38	$ 29	$ 32	$ 41	$ 135	$ 27

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF INCOME FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008

(Dollar amounts in millions) (Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
INTEREST INCOME						
Advances	$22,559	$	$1,527	$2,192	$1,680	$3,566
Prepayment fees (credits) on advances, net	60		4	20	2	3
Interest-bearing deposits	59			17	8	25
Securities purchased under agreements to resell	34		11			
Federal funds sold	1,596		28	70	73	217
Trading securities	318	(28)	4			227
Available-for-sale securities	230	(2)	23	57	1	
Held-to-maturity securities	6,679	(23)	362	609	628	877
Mortgage loans held for portfolio	3,408		156	58	236	139
Other	3					
Total interest income	34,946	(53)	2,115	3,023	2,628	5,054
INTEREST EXPENSE						
Consolidated obligations—Discount notes	7,872		923	559	591	687
Consolidated obligations—Bonds	22,590	(47)	909	1,952	1,751	3,575
Deposits	384		16	34	34	103
Securities sold under agreements to repurchase	50					1
Subordinated notes	43					
Mandatorily redeemable capital stock	44		1	9		2
Other borrowings	2		1			
Total interest expense	30,985	(47)	1,850	2,554	2,376	4,368
NET INTEREST INCOME	3,961	(6)	265	469	252	686
Provision for credit losses	7				6	
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	3,954	(6)	265	469	246	686
OTHER (LOSS) INCOME						
Service fees	25		4	2	3	2
Net losses on trading securities	(121)		(1)		(1)	(51)
Net realized gains on available-for-sale securities	1					
Net realized (losses) gains on held-to-maturity securities	(207)			1		(87)
Net gains (losses) on advances and consolidated obligations—bonds held at fair value	148			4		
Net (losses) gains on derivatives and hedging activities	(282)		(7)	(65)	75	(51)
Other, net	2	(4)	(3)	1	3	(1)
Total other (loss) income	(434)	(4)	(7)	(57)	80	(188)
OTHER EXPENSE						
Operating	540		38	50	40	75
Finance Agency/Finance Board	29		2	2	2	5
Office of Finance	24		2	2	2	3
Provision for derivative counterparty credit losses	252			66		170
Other, net	10	(4)	1			1
Total other expense	855	(4)	43	120	44	254
INCOME (LOSS) BEFORE ASSESSMENTS	2,665	(6)	215	292	282	244
Affordable Housing Program	233		18	25	23	20
REFCORP	511		39	53	52	45
Total assessments	744		57	78	75	65
NET INCOME (LOSS)	$ 1,921	$ (6)	$ 158	$ 214	$ 207	$ 179

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$1,451	$ 748	$ 880	$1,090	$1,338	$ 815	$6,289	$ 983
2		13	1	2	1	(10)	22
6				2	1		
14							9
136	242	133	65	90	69	287	186
		33			80	2	
	16	25	102	8			
507	262	499	149	259	409	1,784	357
345	360	1,253	400	15	96	145	205
					3		
2,461	1,628	2,836	1,807	1,714	1,474	8,497	1,762
774	404	349	491	398	488	1,793	415
1,389	992	2,277	1,075	1,098	750	5,704	1,165
24	14	19	21	55	21	23	20
		43	2		1		3
		43					
6	8		1	1	1	14	1
					1		
2,193	1,418	2,731	1,590	1,552	1,262	7,534	1,604
268	210	105	217	162	212	963	158
		1					
268	210	104	217	162	212	963	158
1	1	1	2	3	4	1	1
		(3)			(65)		
		1					
		(72)					(49)
		(1)				145	
9	8	(64)	(12)	71		(264)	18
5	1	7	1	12	2	3	(25)
15	10	(131)	(9)	86	(59)	(115)	(55)
29	27	84	30	44	25	66	32
2	1	2	1	2	1	7	2
2	1	2	2	1	1	5	1
			5	1			10
4	1	4			2		1
37	30	92	38	48	29	78	46
246	190	(119)	170	200	124	770	57
21	16		14	16	10	65	5
45	35		31	37	23	141	10
66	51		45	53	33	206	15
$ 180	$ 139	$ (119)	$ 125	$ 147	$ 91	$ 564	$ 42

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF INCOME FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007

(Dollar amounts in millions) (Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
INTEREST INCOME						
Advances	$26,553	$	$1,571	$2,466	$2,044	$4,419
Prepayment fees on advances, net	21		3	4	1	1
Interest-bearing deposits	12					3
Securities purchased under agreements to resell	112		53			
Federal funds sold	3,485		173	145	149	533
Trading securities	246	(15)	6			199
Available-for-sale securities	278	(2)	35		2	
Held-to-maturity securities	6,847	(85)	365	725	627	730
Mortgage loans held for portfolio	3,664		165	60	257	128
Other	4					
Total interest income	41,222	(102)	2,371	3,400	3,080	6,013
INTEREST EXPENSE						
Consolidated obligations - Discount notes	6,787		791	553	767	357
Consolidated obligations - Bonds	30,246	(103)	1,329	2,397	1,987	4,918
Deposits	738		33	91	59	209
Securities sold under agreements to repurchase	112				1	15
Subordinated notes	43					
Mandatorily redeemable capital stock	41		1	7		10
Other borrowings	1					
Total interest expense	37,968	(103)	2,154	3,048	2,814	5,509
NET INTEREST INCOME	3,254	1	217	352	266	504
Provision for credit losses	1				1	
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	3,253	1	217	352	265	504
OTHER INCOME (LOSS)						
Service fees	23		3	3	3	2
Net gains (losses) on trading securities	34		(1)			20
Net realized (losses) gains from sale of available-for-sale securities	(1)					
Net realized (losses) gains from sale of held-to-maturity securities	(6)					
Net (losses) gains on derivatives and hedging activities	(46)		2	13	7	(10)
Other, net	14	1		(5)	1	
Total other income (loss)	18	1	4	11	11	12
OTHER EXPENSE						
Operating	515		35	49	40	68
Finance Agency/Finance Board	26		2	2	2	4
Office of Finance	21		1	2	2	3
Other, net	10	(3)	1			2
Total other expense	572	(3)	39	53	44	77
INCOME BEFORE ASSESSMENTS	2,699	5	182	310	232	439
Affordable Housing Program	224		15	26	19	37
REFCORP	494		33	57	43	80
Total assessments	718		48	83	62	117
NET INCOME	$ 1,981	$ 5	$ 134	$ 227	$ 170	$ 322

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$1,897	$ 920	$ 937	$ 926	$1,536	$1,117	$7,537	$1,183
3	2		1	2	1	1	2
				6	3		
21			12			13	13
258	339	433	153	219	276	517	290
		26		1	26	3	
36		112	71	22	2		
694	274	476	216	327	511	1,506	481
348	388	1,395	425	17	91	162	228
				1	3		
3,257	1,923	3,379	1,804	2,131	2,030	9,739	2,197
867	458	515	283	350	545	1,128	173
2,032	1,277	2,486	1,337	1,505	1,276	7,926	1,879
39	36	37	37	108	37	17	35
		74	22				
		43					
5	6		2	4	2	4	
					1		
2,943	1,777	3,155	1,681	1,967	1,861	9,075	2,087
314	146	224	123	164	169	664	110
314	146	224	123	164	169	664	110
1	1		2	3	3	1	1
		8			7		
		1			(2)		
			1		(1)		(6)
(6)	(2)	(26)	1	1	(3)	(22)	(1)
3	1	5	2	4	1	1	
(2)		(12)	6	8	5	(20)	(6)
29	28	86	28	38	23	61	30
2	1	2	1	2	1	6	1
2	1	2	1	1	1	4	1
3	1	3			2		1
36	31	93	30	41	27	71	33
276	115	119	99	131	147	573	71
23	10	9	9	11	12	47	6
51	21	22	18	24	27	105	13
74	31	31	27	35	39	152	19
$ 202	$ 84	$ 88	$ 72	$ 96	$ 108	$ 421	$ 52

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CAPITAL FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

(Shares in millions) (Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
CAPITAL STOCK CLASS B PUTABLE SHARES						
BALANCE, DECEMBER 31, 2006	389		23	36	34	58
Proceeds from sale of capital stock	196		9	23	41	46
Repurchase/redemption of capital stock	(122)		(1)	(16)	(37)	(29)
Net shares reclassified to mandatorily redeemable capital stock	(21)			(2)		(1)
Transfer between Class B and Class A shares	(2)					
Capital stock dividends	6					
BALANCE, SEPTEMBER 30, 2007	446		31	41	38	74
BALANCE, DECEMBER 31, 2007	468		32	44	40	76
Proceeds from sale of capital stock	238		6	37	42	46
Repurchase/redemption of capital stock	(158)		(1)	(25)	(39)	(35)
Net shares reclassified to mandatorily redeemable capital stock	(52)		(1)	(1)	(1)	
Transfer between Class B and Class A shares	(1)					
Capital stock dividends	8					
BALANCE, SEPTEMBER 30, 2008	503		36	55	42	87
CAPITAL STOCK CLASS A PUTABLE SHARES						
BALANCE, DECEMBER 31, 2006	5					
Proceeds from sale of capital stock	3					
Repurchase/redemption of capital stock						
Net shares reclassified to mandatorily redeemable capital stock	(1)					
Transfer between Class B and Class A shares	2					
Capital stock dividends						
BALANCE, SEPTEMBER 30, 2007	9					
BALANCE, DECEMBER 31, 2007	9					
Proceeds from sale of capital stock	6					
Repurchase/redemption of capital stock	(5)					
Net shares reclassified to mandatorily redeemable capital stock	(1)					
Transfer between Class B and Class A shares	1					
Capital stock dividends						
BALANCE, SEPTEMBER 30, 2008	10					
CAPITAL STOCK PRE-CONVERSION PUTABLE SHARES						
BALANCE, DECEMBER 31, 2006	26					
Proceeds from sale of capital stock	1					
Repurchase/redemption of capital stock						
Net shares reclassified to mandatorily redeemable capital stock						
Conversion to Class B or Class A shares						
Capital stock dividends						
BALANCE, SEPTEMBER 30, 2007	27					
BALANCE, DECEMBER 31, 2007	27					
Proceeds from sale of capital stock	1					
Repurchase/redemption of capital stock						
Net shares reclassified to mandatorily redeemable capital stock	(2)					
Conversion to Class B or Class A shares						
Capital stock dividends						
BALANCE, SEPTEMBER 30, 2008	26					
TOTAL CAPITAL STOCK PUTABLE SHARES						
BALANCE, DECEMBER 31, 2006	420		23	36	34	58
Proceeds from sale of capital stock	200		9	23	41	46
Repurchase/redemption of capital stock	(122)		(1)	(16)	(37)	(29)
Net shares reclassified to mandatorily redeemable capital stock	(22)			(2)		(1)
Capital stock dividends	6					
BALANCE, SEPTEMBER 30, 2007	482		31	41	38	74
BALANCE, DECEMBER 31, 2007	504		32	44	40	76
Proceeds from sale of capital stock	245		6	37	42	46
Repurchase/redemption of capital stock	(163)		(1)	(25)	(39)	(35)
Net shares reclassified to mandatorily redeemable capital stock	(55)		(1)	(1)	(1)	
Capital stock dividends	8					
BALANCE, SEPTEMBER 30, 2008	539		36	55	42	87

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
37	18		19	22	15	106	21
3	1		10	7	13	43	
			(5)	(7)		(27)	
(6)					(12)		
					(2)		
				1	1	4	
34	19	—	24	23	15	126	21
35	20		27	24	15	134	21
4	2		49	16	16	16	4
			(38)	(7)	(1)	(12)	
					(12)	(37)	
					(1)		
1				1	1	5	
40	22	—	38	34	18	106	25
					5		
							3
					(1)		
					2		
—	—	—	—	—	6	—	3
					6		3
							6
							(5)
					(1)		
					1		
—	—	—	—	—	6	—	4
		26					
		1					
—	—	27	—	—	—	—	—
		27					
		1					
		(2)					
—	—	26	—	—	—	—	—
37	18	26	19	22	20	106	21
3	1	1	10	7	13	43	3
			(5)	(7)		(27)	
(6)					(13)		
				1	1	4	
34	19	27	24	23	21	126	24
35	20	27	27	24	21	134	24
4	2	1	49	16	16	16	10
			(38)	(7)	(1)	(12)	(5)
		(2)			(13)	(37)	
1				1	1	5	
40	22	26	38	34	24	106	29

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CAPITAL (continued)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

(Dollar amounts in millions)
(Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
CAPITAL STOCK CLASS B PUTABLE PAR VALUE						
BALANCE, DECEMBER 31, 2006	$ 38,882	$	$2,343	$ 3,546	$ 3,384	$ 5,772
Proceeds from sale of capital stock	19,807		836	2,308	4,137	4,621
Repurchase/redemption of capital stock	(12,343)		(95)	(1,577)	(3,720)	(2,903)
Net shares reclassified to mandatorily redeemable capital stock	(2,118)		(34)	(187)		(78)
Transfer between Class B and Class A shares	(160)					
Capital stock dividends	560					
BALANCE, SEPTEMBER 30, 2007	$ 44,628	$	$3,050	$ 4,090	$ 3,801	$ 7,412
BALANCE, DECEMBER 31, 2007	$ 46,701	$	$3,164	$ 4,368	$ 3,995	$ 7,556
Proceeds from sale of capital stock	23,825		645	3,697	4,151	4,611
Repurchase/redemption of capital stock	(15,767)		(155)	(2,496)	(3,897)	(3,443)
Net shares reclassified to mandatorily redeemable capital stock	(5,315)		(88)	(65)	(54)	(24)
Transfer between Class B and Class A shares	(65)					
Capital stock dividends	803					
BALANCE, SEPTEMBER 30, 2008	$ 50,182	$	$3,566	$ 5,504	$ 4,195	$ 8,700
CAPITAL STOCK CLASS A PUTABLE PAR VALUE						
BALANCE, DECEMBER 31, 2006	$ 532	$	$	$	$	$
Proceeds from sale of capital stock	287					
Repurchase/redemption of capital stock						
Net shares reclassified to mandatorily redeemable capital stock	(84)					
Transfer between Class B and Class A shares	160					
Capital stock dividends						
BALANCE, SEPTEMBER 30, 2007	$ 895	$	$	$	$	$
BALANCE, DECEMBER 31, 2007	$ 891	$	$	$	$	$
Proceeds from sale of capital stock	572					
Repurchase/redemption of capital stock	(459)					
Net shares reclassified to mandatorily redeemable capital stock	(125)					
Transfer between Class B and Class A shares	65					
Capital stock dividends						
BALANCE, SEPTEMBER 30, 2008	$ 944	$	$	$	$	$
CAPITAL STOCK PRE-CONVERSION PUTABLE PAR VALUE						
BALANCE, DECEMBER 31, 2006	$ 2,587	$	$	$	$	$
Proceeds from sale of capital stock	73					
Repurchase/redemption of capital stock						
Net shares reclassified to mandatorily redeemable capital stock	(7)					
Conversion to Class B or Class A shares						
Capital stock dividends						
BALANCE, SEPTEMBER 30, 2007	$ 2,653	$	$	$	$	$
BALANCE, DECEMBER 31, 2007	$ 2,661	$	$	$	$	$
Proceeds from sale of capital stock	65					
Repurchase/redemption of capital stock						
Net shares reclassified to mandatorily redeemable capital stock	(165)					
Conversion to Class B or Class A shares						
Capital stock dividends						
BALANCE, SEPTEMBER 30, 2008	$ 2,561	$	$	$	$	$
TOTAL CAPITAL STOCK PUTABLE PAR VALUE						
BALANCE, DECEMBER 31, 2006	$ 42,001	$	$2,343	$ 3,546	$ 3,384	$ 5,772
Proceeds from sale of capital stock	20,167		836	2,308	4,137	4,621
Repurchase/redemption of capital stock	(12,343)		(95)	(1,577)	(3,720)	(2,903)
Net shares reclassified to mandatorily redeemable capital stock	(2,209)		(34)	(187)		(78)
Capital stock dividends	560					
BALANCE, SEPTEMBER 30, 2007	$ 48,176	$	$3,050	$ 4,090	$ 3,801	$ 7,412
BALANCE, DECEMBER 31, 2007	$ 50,253	$	$3,164	$ 4,368	$ 3,995	$ 7,556
Proceeds from sale of capital stock	24,462		645	3,697	4,151	4,611
Repurchase/redemption of capital stock	(16,226)		(155)	(2,496)	(3,897)	(3,443)
Net shares reclassified to mandatorily redeemable capital stock	(5,605)		(88)	(65)	(54)	(24)
Capital stock dividends	803					
BALANCE, SEPTEMBER 30, 2008	$ 53,687	$	$3,566	$ 5,504	$ 4,195	$ 8,700

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$3,658	$1,793	$	$ 1,906	$2,248	$ 1,475	$10,616	$2,141
321	160		972	714	1,360	4,365	13
			(549)	(725)	(36)	(2,738)	
(541)	(12)		19	(68)	(1,196)	(8)	(13)
					(160)		
				82	84	394	
$3,438	$1,941	$	$ 2,348	$2,251	$ 1,527	$12,629	$2,141
$3,473	$2,003	$	$ 2,717	$2,394	$ 1,487	$13,403	$2,141
356	214		4,903	1,611	1,648	1,587	402
			(3,810)	(694)	(76)	(1,196)	
(9)	(43)		(3)	(16)	(1,243)	(3,707)	(63)
					(65)		
148				60	68	527	
$3,968	$2,174	$	$ 3,807	$3,355	$ 1,819	$10,614	$2,480
$	$	$	$	$	$ 532	$	$
					6		281
					(84)		
					160		
$	$	$	$	$	$ 614	$	$ 281
$	$	$	$	$	$ 604	$	$ 287
					4		568
							(459)
					(125)		
					65		
$	$	$	$	$	$ 548	$	$ 396
$	$	$2,587	$	$	$	$	$
		73					
		(7)					
$	$	$2,653	$	$	$	$	$
$	$	$2,661	$	$	$	$	$
		65					
		(165)					
$	$	$2,561	$	$	$	$	$
$3,658	$1,793	$2,587	$ 1,906	$2,248	$ 2,007	$10,616	$2,141
321	160	73	972	714	1,366	4,365	294
			(549)	(725)	(36)	(2,738)	
(541)	(12)	(7)	19	(68)	(1,280)	(8)	(13)
				82	84	394	
$3,438	$1,941	$2,653	$ 2,348	$2,251	$ 2,141	$12,629	$2,422
$3,473	$2,003	$2,661	$ 2,717	$2,394	$ 2,091	$13,403	$2,428
356	214	65	4,903	1,611	1,652	1,587	970
			(3,810)	(694)	(76)	(1,196)	(459)
(9)	(43)	(165)	(3)	(16)	(1,368)	(3,707)	(63)
148				60	68	527	
$3,968	$2,174	$2,561	$ 3,807	$3,355	$ 2,367	$10,614	$2,876

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CAPITAL (continued) FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

(Dollar amounts in millions) (Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
RETAINED EARNINGS						
BALANCE, DECEMBER 31, 2006	$ 3,144	$(44)	$ 187	$ 368	$ 255	$ 407
Net income	1,981	5	134	227	170	322
Dividends on capital stock:						
Cash	(1,095)		(117)	(197)	(141)	(269)
Stock	(560)					
BALANCE, SEPTEMBER 30, 2007	$ 3,470	$(39)	$ 204	$ 398	$ 284	$ 460
BALANCE, DECEMBER 31, 2007	$ 3,689	$(26)	$ 226	$ 418	$ 296	$ 469
Adjustment to opening balance relating to SFAS 158 and 159	16					
Net income	1,921	(6)	158	214	207	179
Dividends on capital stock:						
Cash	(953)		(107)	(250)	(121)	(287)
Stock	(803)					
BALANCE, SEPTEMBER 30, 2008	$ 3,870	$(32)	$ 277	$ 382	$ 382	$ 361
ACCUMULATED OTHER COMPREHENSIVE INCOME						
BALANCE, DECEMBER 31, 2006	$ (159)	$ (5)	$ 2	$ (10)	$ (5)	$ (5)
Net unrealized (losses) gains on available-for-sale securities	(60)		6		(1)	
Reclassification adjustment for gains included in net income relating to available-for-sale securities	1					
Net unrealized (losses) gains relating to hedging activities	(5)			(9)	2	
Reclassification adjustment for losses (gains) included in net income relating to hedging activities	5		(1)			
Pension and postretirement benefits	(2)			(3)		1
BALANCE, SEPTEMBER 30, 2007	$ (220)	$ (5)	$ 7	$ (22)	$ (4)	$ (4)
BALANCE, DECEMBER 31, 2007	$ (345)	$ (4)	$ (2)	$ (35)	$ (6)	$ (3)
Net unrealized losses on available-for-sale securities	(212)		(44)	(44)	(11)	
Reclassification adjustment for gains included in net income relating to available-for-sale securities	(1)					
Net unrealized gains (losses) on held-to-maturity securities transferred from available-for-sale securities						
Reclassification adjustment for losses included in net income relating to held-to-maturity securities transferred from available-for-sale securities	42					
Net unrealized losses relating to hedging activities	(17)			(2)		
Reclassification adjustment for losses (gains) included in net income relating to hedging activities	35	1	(1)		2	
Pension and postretirement benefits	2		(1)			
BALANCE, SEPTEMBER 30, 2008	$ (496)	$ (3)	$ (48)	$ (81)	$ (15)	$ (3)

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 256	$167	$ 606	$ 344	$190	$173	$ 143	$ 92
202	84	88	72	96	108	421	52
(177)	(65)	(58)	(61)		(1)		(9)
				(82)	(84)	(394)	
$ 281	$186	$ 636	$ 355	$204	$196	$ 170	$135
$ 287	$202	$ 659	$ 361	$212	$209	$ 227	$149
						16	
180	139	(119)	125	147	91	564	42
	(77)		(82)				(29)
(148)				(60)	(68)	(527)	
$ 319	$264	$ 540	$ 404	$299	$232	$ 280	$162
$ (7)	$ (5)	$(110)	$ (1)	$ 1	$ (7)	$ (5)	$ (2)
1		(56)	(12)		2		
		(1)			2		
		2					
		6					
1	(1)						
$ (5)	$ (6)	$(159)	$ (13)	$ 1	$ (3)	$ (5)	$ (2)
$ (5)	$ (6)	$(251)	$ (26)	$ (1)	$ (2)	$ (3)	$ (1)
(1)	(11)	(18)	(80)	(3)			
		(1)					
		42					
		(15)					
		32				1	
	2	1					
$ (6)	$ (15)	$(210)	$(106)	$ (4)	$ (2)	$ (2)	$ (1)

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CAPITAL (continued)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

(Dollar amounts in millions)
(Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
TOTAL CAPITAL						
BALANCE, DECEMBER 31, 2006	$ 44,986	$(49)	$2,532	$ 3,904	$ 3,634	$ 6,174
Proceeds from sale of capital stock	20,167		836	2,308	4,137	4,621
Repurchase/redemption of capital stock	(12,343)		(95)	(1,577)	(3,720)	(2,903)
Net shares reclassified to mandatorily redeemable capital stock	(2,209)		(34)	(187)		(78)
Comprehensive income:						
Net income	1,981	5	134	227	170	322
Other comprehensive income:						
Net unrealized (losses) gains on available-for-sale securities	(60)		6		(1)	
Reclassification adjustment for gains included in net income relating to available-for-sale securities	1					
Net unrealized (losses) gains relating to hedging activities	(5)			(9)	2	
Reclassification adjustment for losses (gains) included in net income relating to hedging activities	5		(1)			
Pension and postretirement benefits	(2)			(3)		1
Total comprehensive income	1,920	5	139	215	171	323
Dividends on capital stock:						
Cash	(1,095)		(117)	(197)	(141)	(269)
BALANCE, SEPTEMBER 30, 2007	$ 51,426	$(44)	$3,261	$ 4,466	$ 4,081	$ 7,868
BALANCE, DECEMBER 31, 2007	$ 53,597	$(30)	$3,388	$ 4,751	$ 4,285	$ 8,022
Adjustment to opening balances relating to SFAS 158 and 159	16					
Proceeds from sale of capital stock	24,462		645	3,697	4,151	4,611
Repurchase/redemption of capital stock	(16,226)		(155)	(2,496)	(3,897)	(3,443)
Net shares reclassified to mandatorily redeemable capital stock	(5,605)		(88)	(65)	(54)	(24)
Comprehensive income:						
Net income	1,921	(6)	158	214	207	179
Other comprehensive income:						
Net unrealized losses on available-for-sale securities	(212)		(44)	(44)	(11)	
Reclassification adjustment for gains included in net income relating to available-for-sale securities	(1)					
Net unrealized gains (losses) on held-to-maturity securities transferred from available-for-sale securities						
Reclassification adjustment for losses included in net income relating to held-to-maturity securities transferred from available-for-sale securities	42					
Net unrealized losses relating to hedging activities	(17)			(2)		
Reclassification adjustment for losses (gains) included in net income relating to hedging activities	35	1	(1)		2	
Pension and postretirement benefits	2		(1)			
Total comprehensive income	1,770	(5)	112	168	198	179
Dividends on capital stock:						
Cash	(953)		(107)	(250)	(121)	(287)
BALANCE, SEPTEMBER 30, 2008	$ 57,061	$(35)	$3,795	$ 5,805	$ 4,562	$ 9,058

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$3,907	$1,955	$3,083	$ 2,249	$2,439	$ 2,173	$10,754	$2,231
321	160	73	972	714	1,366	4,365	294
			(549)	(725)	(36)	(2,738)	
(541)	(12)	(7)	19	(68)	(1,280)	(8)	(13)
202	84	88	72	96	108	421	52
1		(56)	(12)		2		
		(1)			2		
		2					
		6					
1	(1)						
204	83	39	60	96	112	421	52
(177)	(65)	(58)	(61)		(1)		(9)
$3,714	$2,121	$3,130	$ 2,690	$2,456	$ 2,334	$12,794	$2,555
$3,755	$2,199	$3,069	$ 3,052	$2,605	$ 2,298	$13,627	$2,576
						16	
356	214	65	4,903	1,611	1,652	1,587	970
			(3,810)	(694)	(76)	(1,196)	(459)
(9)	(43)	(165)	(3)	(16)	(1,368)	(3,707)	(63)
180	139	(119)	125	147	91	564	42
(1)	(11)	(18)	(80)	(3)			
		(1)					
		42					
		(15)					
		32				1	
	2	1					
179	130	(78)	45	144	91	565	42
	(77)		(82)				(29)
$4,281	$2,423	$2,891	$ 4,105	$3,650	$ 2,597	$10,892	$3,037

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008

(Dollar amounts in millions) (Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
OPERATING ACTIVITIES						
Net income (loss)	$ 1,921	$ (6)	$ 158	$ 214	$ 207	$ 179
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization	(784)	6	(129)	(93)	(296)	197
Change in net fair value adjustment on derivative and hedging activities	(1,847)		(35)	(408)	(67)	(854)
Other adjustments	1,328		3	63	6	1,099
Net change in fair value adjustments on trading securities	156		1			87
Change in fair value adjustments on advances and consolidated obligations - bonds held at fair value	(148)			(4)		
Net change in:						
Trading securities					1	
Accrued interest receivable	1,214	(33)	159	111	69	69
Other assets	(394)		(8)	(49)	(42)	(217)
Accrued interest payable	(721)	33	32	(5)	(2)	(289)
Other liabilities*	19		2	(31)	12	(60)
Total adjustments	(1,177)	6	25	(416)	(319)	32
Net cash provided by (used in) operating activities	744		183	(202)	(112)	211
INVESTING ACTIVITIES						
Net change in:						
Interest-bearing deposits	(1,885)			(341)	(202)	(1,251)
Securities purchased under agreements to resell	(1,500)		500			
Federal funds sold	(7,553)		(1,333)	(2,031)	240	(1,940)
Deposits to other FHLBanks		4			(5)	
Loans to FHLBanks		(955)		55	500	
Premises, software and equipment	(33)		(1)	(4)	(2)	(4)
Trading securities:						
Proceeds	2,615	(15)	34			2,450
Purchases	(4,617)	113				(2,979)
Available-for-sale securities:						
Proceeds	4,006		3	252	5	
Purchases	(9,646)		(59)	(3,244)		
Held-to-maturity securities:						
Net decrease (increase) in short-term	23,263		3,756	5,284	3,209	800
Proceeds from long-term	21,168	(2,525)	1,853	1,958	2,508	2,690
Purchases of long-term	(47,788)		(3,430)	(2,143)	(530)	(5,405)
Advances:						
Proceeds	6,678,837		773,368	389,788	1,176,709	135,096
Made	(6,815,066)		(781,455)	(410,797)	(1,180,405)	(156,253)
Mortgage loans held for portfolio:						
Principal collected	9,698		439	136	614	354
Purchases	(6,079)		(408)	(106)	(520)	(165)
Proceeds from sales of foreclosed assets	35		4			
Principal collected on other loans	1					
Net cash (used in) provided by investing activities	(154,544)	(3,378)	(6,729)	(21,193)	2,121	(26,607)

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 180	$ 139	$ (119)	$ 125	$ 147	$ 91	$ 564	$ 42
(5)	(52)	(47)	16	(31)	(120)	(230)	
(159)	(122)	(160)	54	(160)	(17)	(65)	146
5		70	(1)	(6)	1	14	74
		3			65		
		1				(145)	
				(1)			
42	42	1	8	28	44	539	135
3	4	(26)	(2)	4	1	(67)	5
(12)	55	179	67	102	(53)	(628)	(200)
2	7	29	5	18	5	36	(6)
(124)	(66)	50	147	(46)	(74)	(546)	154
56	73	(69)	272	101	17	18	196
(106)				(16)	31		
							(2,000)
(370)	1,251	9,736	(251)	1,130	(1,334)	(3,720)	(8,931)
				1			
				400			
(2)		(5)	(1)	(2)	(2)	(7)	(3)
		31			94	21	
		(825)			(926)		
		498	2,707	345	194		2
(29)	(1,580)	(781)	(3,406)	(351)	(194)		(2)
755	1,660	454	300	991	3,210	6,105	(3,261)
1,667	1,344	1,139	493	1,218	808	4,646	3,369
(2,844)	(1,508)	(7,761)	(2,545)	(4,689)	(3,775)	(12,105)	(1,053)
1,328,105	43,621	187,890	256,010	642,140	467,446	1,177,982	100,682
(1,337,731)	(47,551)	(193,137)	(279,450)	(663,851)	(472,819)	(1,190,091)	(101,526)
1,081	889	4,082	1,033	43	242	336	449
(689)	(397)	(2,313)	(813)		(668)		
		31					
					1		
(10,163)	(2,271)	(961)	(25,923)	(22,641)	(7,692)	(16,833)	(12,274)

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS (continued)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008

(Dollar amounts in millions)
(Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
FINANCING ACTIVITIES						
Net change in:						
Deposits and pass-through reserves	$ 6,182	$	$ 530	$ 1,129	$ 672	$ 812
Deposits from other FHLBanks		(4)				
Borrowings	690			473		260
Loans from FHLBanks		955				
Net proceeds (payments) on derivative contracts with financing element	1,810		38		288	945
Net proceeds from issuance of consolidated obligations:						
Discount notes	9,301,392		1,069,226	536,200	697,541	269,227
Bonds	492,324	(113)	21,683	55,510	28,914	95,513
Bonds transferred from other FHLBanks		(889)			314	
Payments for maturing and retiring consolidated obligations:						
Discount notes	(9,230,178)		(1,068,403)	(542,194)	(705,747)	(242,113)
Bonds	(417,591)	2,539	(16,783)	(30,051)	(24,026)	(99,040)
Bonds transferred to other FHLBanks		890				
Proceeds from issuance of capital stock	24,462		645	3,697	4,151	4,611
Payments for redemption of mandatorily redeemable capital stock	(1,816)		(26)	(160)	(54)	(44)
Payments for repurchase/redemption of capital stock	(16,226)		(155)	(2,496)	(3,897)	(3,443)
Cash dividends paid	(1,009)		(107)	(250)	(121)	(343)
Net cash provided by (used in) financing activities	160,040	3,378	6,648	21,858	(1,965)	26,385
Net increase (decrease) in cash and cash equivalents	6,240		102	463	44	(11)
Cash and cash equivalents at beginning of the period	320		7	8	67	19
Cash and cash equivalents at end of the period	$ 6,560	$	$ 109	$ 471	$ 111	$ 8
Supplemental Disclosures:						
Interest paid	$ 31,631	$	$ 2,003	$ 2,096	$ 2,062	$ 3,948
AHP payments, net	$ 202	$	$ 8	$ 21	$ 14	$ 38
REFCORP assessments paid	$ 604	$	$ 43	$ 68	$ 44	$ 87
Transfers of mortgage loans to real estate owned	$ 67	$	$ 4	$	$ 6	$ 2

* Other liabilities includes the net change in the REFCORP receivable/payable.

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 321	$ 573	$ (30)	$ 494	$ 617	$ 200	$ 428	$ 436
		4					
			(200)		(5)	(100)	262
						(955)	
229	182	120		10	114	(116)	
719,677	899,620	1,046,932	1,057,476	567,983	911,748	657,679	868,083
29,537	24,663	22,684	16,629	47,476	18,844	108,270	22,714
272				139		164	
(712,084)	(903,215)	(1,046,786)	(1,037,229)	(568,995)	(902,295)	(648,355)	(852,762)
(28,239)	(19,763)	(20,368)	(11,994)	(25,120)	(19,812)	(98,085)	(26,849)
		(116)		(487)			(287)
356	214	65	4,903	1,611	1,652	1,587	970
		(9)	(38)	(64)	(1,369)	(52)	
			(3,810)	(694)	(76)	(1,196)	(459)
	(77)		(82)				(29)
10,069	2,197	2,496	26,149	22,476	9,001	19,269	12,079
(38)	(1)	1,466	498	(64)	1,326	2,454	1
53	7	17	59	75	2	5	1
$ 15	$ 6	$ 1,483	$ 557	$ 11	$ 1,328	$ 2,459	$ 2
$ 2,215	$ 977	$ 2,592	$ 1,530	$ 1,533	$ 1,435	$ 9,437	$ 1,803
$ 21	$ 12	$ 16	$ 14	$ 10	$ 13	$ 30	$ 5
$ 45	$ 32	$ 10	$ 26	$ 26	$ 29	$ 174	$ 20
$	$	$ 43	$ 9	$	$ 1	$ 2	$

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007

(Dollar amounts in millions) (Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
OPERATING ACTIVITIES:						
Net income	$ 1,981	$ 5	$ 134	$ 227	$ 170	$ 322
Adjustments to reconcile net income to net cash provided by operating activities:						
Depreciation and amortization	756	(1)	111	51	87	134
Change in net fair value adjustment on derivative and hedging activities	(1,135)		(111)	(23)	(22)	(316)
Other adjustments	19	1	1		1	
Net change in fair value adjustments on trading securities	(27)					(20)
Net change in:						
Accrued interest receivable	(703)	(43)	(45)	(96)	(57)	(84)
Other assets	(37)		(3)	3	(1)	(8)
Accrued interest payable	1,015	43	46	35	2	256
Other liabilities	73		7	(2)	9	42
Total adjustments	(39)		6	(32)	19	4
Net cash provided by operating activities	1,942	5	140	195	189	326
INVESTING ACTIVITIES:						
Net change in:						
Interest-bearing deposits	(60)			(52)		(37)
Securities purchased under agreements to resell	4,755		3,250			
Federal funds sold	(21,024)		(643)	957	(1,715)	(10,520)
Deposits to other FHLBanks		(2)				1
Premises, software and equipment	(33)		(1)	(4)	(5)	(3)
Trading securities:						
Proceeds	851		32			
Purchases	(1,425)					
Available-for-sale securities:						
Proceeds	42,886	(7)	46		14	
Purchases	(43,441)			(13)		
Held-to-maturity securities:						
Net (increase) decrease in short-term	(12,315)		(1,842)	(5,914)	(1,345)	8
Proceeds from long-term	21,104	(1,700)	1,847	1,476	1,678	2,173
Purchases of long-term	(23,294)		(2,388)	(1,080)	(2,157)	(3,123)
Advances:						
Proceeds	5,361,888		410,247	281,196	512,159	130,543
Made	(5,542,223)		(429,124)	(296,758)	(526,790)	(167,286)
Mortgage loans held for portfolio:						
Principal collected	9,384		462	127	694	293
Purchases	(4,439)		(117)	(160)	(89)	(794)
Proceeds from sales of foreclosed assets	40		2			
Principal collected on other loans	1					
Net cash used in investing activities	(207,345)	(1,709)	(18,229)	(20,225)	(17,556)	(48,745)

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 202	$ 84	$ 88	$ 72	$ 96	$ 108	$ 421	$ 52
26	25	48	53	(9)	20	163	48
(103)	(57)	(12)	(48)	(31)	(65)	(247)	(100)
	1	(4)		4	5	4	6
					(7)		
(51)	(21)	18	(38)		(10)	(291)	15
	8	(30)	1	1	1	(9)	
132	75	199	49	37	49	(23)	115
12	(2)	(21)		8	7	8	5
16	29	198	17	10		(395)	89
218	113	286	89	106	108	26	141
(48)			11	69	(3)		
1,000			305			200	
3,376	(2,981)	(8,457)	(905)	(5)	1,822	(418)	(1,535)
						1	
(2)		(6)	(2)	(2)	(2)	(5)	(1)
1		698		22	81	17	
		(1,010)			(415)		
37,981		614	3,870	266	102		
(36,756)		(135)	(6,537)				
2,329	(2,083)	(230)	1,003	(1,021)	(1,141)	(3,292)	1,213
1,627	757	1,318	630	982	1,178	4,444	4,694
(2,528)	(882)	(11)	(70)	(512)	(1,058)	(7,459)	(2,026)
1,391,343	68,812	196,785	59,267	361,072	371,446	1,518,959	60,059
(1,402,995)	(70,531)	(195,041)	(69,055)	(364,132)	(375,898)	(1,571,149)	(73,464)
802	862	3,850	1,068	55	217	400	554
(1,408)	(364)	(1,061)	(270)		(176)		
		38					
					1		
(5,278)	(6,410)	(2,648)	(10,685)	(3,206)	(3,846)	(58,302)	(10,506)

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS (continued) FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007

(Dollar amounts in millions) (Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
FINANCING ACTIVITIES:						
Net change in:						
Deposits and pass-through reserves	$ 5,674	$	$ (94)	$ 1,032	$ 4,134	$ 1,092
Deposits from other FHLBanks		2				
Borrowings	(908)			(103)		(500)
Net proceeds from issuance of consolidated obligations:						
Discount notes	6,225,065		683,244	306,854	386,868	601,860
Bonds	342,416		17,209	25,358	18,378	81,328
Bonds transferred from other FHLBanks		(1,036)				
Payments for maturing and retiring consolidated obligations:						
Discount notes	(6,074,345)		(664,139)	(289,034)	(376,556)	(576,251)
Bonds	(297,207)	1,700	(18,738)	(24,089)	(15,702)	(60,465)
Bonds transferred to other FHLBanks		1,038		(491)		
Proceeds from issuance of capital stock	20,167		836	2,308	4,137	4,621
Payments for redemption of mandatorily redeemable capital stock	(2,013)		(17)	(53)	(4)	(123)
Payments for repurchase/redemption of capital stock	(12,343)		(95)	(1,577)	(3,720)	(2,903)
Cash dividends paid	(1,083)		(118)	(197)	(141)	(257)
Net cash provided by financing activities	205,423	1,704	18,088	20,008	17,394	48,402
Net increase (decrease) in cash and cash equivalents	20		(1)	(22)	27	(17)
Cash and cash equivalents at beginning of the period	330		8	39	78	29
Cash and cash equivalents at end of the period	$ 350	$	$ 7	$ 17	$ 105	$ 12
Supplemental Disclosures:						
Interest paid	$ 35,043	$	$ 2,103	$ 2,404	$ 1,993	$ 4,853
AHP payments, net	$ 175	$	$ 9	$ 15	$ 13	$ 20
REFCORP assessments paid	$ 475	$	$ 34	$ 53	$ 41	$ 71
Transfers of mortgage loans to real estate owned	$ 62	$	$ 3	$	$ 4	$

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 85	$ (250)	$ (712)	$ 460	$ 350	$ (166)	$ (298)	$ 41
		(2)					
			(300)		(5)		
422,975	706,956	806,202	471,081	706,642	584,693	224,638	323,052
25,589	11,507	13,763	6,301	14,088	13,616	85,617	29,662
120				326		497	93
(419,513)	(701,488)	(801,734)	(462,027)	(698,439)	(581,785)	(186,872)	(316,507)
(23,938)	(10,523)	(15,082)	(5,292)	(19,252)	(12,657)	(66,908)	(26,261)
		(85)		(462)			
321	160	73	972	714	1,366	4,365	294
(354)		(2)		(150)	(1,287)	(23)	
			(549)	(725)	(36)	(2,738)	
(177)	(65)	(58)	(61)				(9)
5,108	6,297	2,363	10,585	3,092	3,739	58,278	10,365
48		1	(11)	(8)	1	2	
4	15	23	30	96		7	1
$ 52	$ 15	$ 24	$ 19	$ 88	$ 1	$ 9	$ 1
$ 2,863	$ 1,224	$ 2,863	$ 1,577	$ 1,968	$ 1,839	$ 9,384	$ 1,972
$ 21	$ 8	$ 24	$ 10	$ 8	$ 8	$ 33	$ 6
$ 51	$ 20	$ 22	$ 17	$ 24	$ 26	$ 110	$ 6
$	$	$ 45	$ 7	$	$ 2	$ 1	$

FINANCIAL DISCUSSION AND ANALYSIS OF COMBINED FINANCIAL CONDITION AND COMBINED RESULTS OF OPERATIONS

Investors should read this financial discussion and analysis of combined financial condition and combined results of operations together with the combined financial statements and the notes beginning on page 4 of this Combined Financial Report. Each Federal Home Loan Bank (FHLBank) addresses its financial condition and results of operations in its periodic reports filed with the U.S. Securities and Exchange Commission (SEC). The results of operations for interim periods are not necessarily indicative of the results to be expected for the year ending December 31, 2008. The unaudited financial statements should be read in conjunction with the FHLBanks' audited financial statements and related notes to the FHLBanks' annual combined financial report for the year ended December 31, 2007.

A financial discussion and analysis of the combined financial condition and combined results of operations is provided in this report for investors because this is considered more convenient than providing each FHLBank's management discussion and analysis of financial condition and results of operations on a stand-alone basis only. There is no system-wide central management of the FHLBanks, and each FHLBank manages its operations independently and with only minimal consideration as to how transactions it enters into might affect the combined financial results. The financial discussion and analysis of combined financial condition and combined results of operations does not generally include a description of how each FHLBank's operations affect the combined financial condition and combined results of operations. This level of information about each of the FHLBanks is addressed in that FHLBank's periodic reports filed with the SEC. (See "Explanatory Statement about FHLBanks Combined Financial Report" on page 2 and "Available Information on Individual FHLBanks" on page 3.)

Forward-Looking Information

Statements contained in this report, including statements describing the objectives, projections, estimates, or future predictions of the FHLBanks and the Federal Home Loan Banks Office of Finance (Office of Finance) may be "forward-looking statements." These statements may use forward-looking terminology, such as "anticipates," "believes," "could," "estimates," "may," "should," "will," or their negatives or other variations on these terms. Investors should note that, by their nature, forward-looking statements involve risk or uncertainty and that actual results could differ materially from those expressed or implied in these forward-looking statements or could affect the extent to which a particular objective, projection, estimate, or prediction is realized.

These forward-looking statements involve risks and uncertainties including, but not limited to, the following:

- changes in interest rates, housing prices, employment rates and the general economy;
- the size and volatility of the residential mortgage market;
- demand for FHLBank advances resulting from changes in FHLBank members' deposit flows and credit demands;
- volatility of market prices, rates, and indices or other factors that could affect the value of investments or collateral held by the FHLBanks as security for the obligations of FHLBank members and counterparties to interest-rate exchange agreements and similar agreements. This volatility could result from the effects of, and changes in, various monetary or fiscal policies and regulations, including those determined by the Federal Reserve Board and the Federal Deposit Insurance Corporation (FDIC), or a decline in liquidity in the financial markets;
- political events, including legislative, regulatory, judicial, or other developments that affect the FHLBanks, their members, counterparties and/or investors in the consolidated obligations of the FHLBanks, such as changes in the Federal Home Loan Bank Act of 1932 (FHLBank Act), as amended, or regulations that affect FHLBank operations, and regulatory oversight (including the U.S. Secretary of the Treasury's authority relating to the issuance of consolidated obligations and the passage of the "Housing and Economic Recovery Act of 2008" (the Housing Act));

- competitive forces, including other sources of funding available to FHLBank members, other entities borrowing funds in the capital markets, and the ability to attract and retain skilled individuals;
- the pace of technological change and the ability to develop and support technology and information systems, including the Internet, sufficient to manage the risks of the FHLBanks' business effectively;
- loss of large members through mergers and similar activities;
- changes in domestic and foreign investor demand for consolidated obligations and/or the terms of interest-rate exchange agreements and similar agreements, including changes in the relative attractiveness of consolidated obligations as compared to other investment opportunities;
- the availability, from acceptable counterparties, of derivative financial instruments of the types and in the quantities needed for risk management purposes;
- timing and volume of market activity;
- volatility of reported results due to changes in the fair value of certain assets and liabilities;
- the ability to introduce new FHLBank products and services and successfully manage the risks associated with those products and services, including new types of collateral used to secure advances;
- the FHLBanks' ability to identify, manage, mitigate and/or remedy internal control weaknesses and other operational risks;
- the FHLBanks' ability to implement business process improvements;
- risk of loss arising from litigation filed against one or more of the FHLBanks;
- significant business disruptions resulting from natural or other disasters, acts of war or terrorism;
- the effect of new accounting standards, including the development of supporting systems; and
- inflation/deflation.

Business Overview

Financial Performance. As cooperatives, the FHLBanks seek to maintain a balance between their public policy mission and their ability to provide adequate returns on the capital supplied by their members. The FHLBanks achieve this balance by delivering low-cost financing to members to help them meet the credit needs of their communities and by paying dividends. In view of their cooperative nature, the FHLBanks' financial strategies are designed to enable the FHLBanks to expand and contract in response to the credit needs of their members.

Each FHLBank invests its capital in primarily high-quality, short- and intermediate-term financial instruments. This strategy allows the FHLBanks to maintain liquidity to satisfy member demand for short- and long-term funds, repay maturing consolidated obligations, and meet other obligations. This strategy also reduces the risk of loss when investments are liquidated if an FHLBank elects to repurchase excess capital stock. The dividends paid by an FHLBank are largely the result of the FHLBank's earnings on invested member capital, net earnings on advances to members and investment returns on investments and mortgage loans. These are offset by the FHLBank's operating expenses and assessments. The board of directors and management of each FHLBank determine the pricing of member credit and the FHLBank's dividend policies based on the needs of its members.

Different FHLBank Business Strategies. Each FHLBank is operated as a separate entity with its own management, employees and board of directors but under the supervisory and regulatory framework of the Federal Housing Finance Agency (Finance Agency) in its capacity as regulator (the Regulator). However, the management and board of directors of each FHLBank determine the best approach for meeting the FHLBank's business objectives and serving the needs of its members, which may not be the

same as other FHLBanks due to different markets and economic characteristics. As such, the management and board of directors of each FHLBank have developed their own business strategies and initiatives to fulfill the FHLBank's mission and they reevaluate these strategies and initiatives from time to time. For example, some FHLBanks continue to offer the purchase of mortgage loans from their members through the acquired member asset programs; other FHLBanks have offered a program to their members but have not actively marketed the program or their members have not invested significant resources to develop or expand the programs; and some FHLBanks that previously participated have exited the programs. At September 30, 2008, mortgage loans purchased through the acquired member asset programs as a percentage of an individual FHLBank's total assets varied from a high of 36 percent for the FHLBank of Chicago to a low of less than one percent for the FHLBank of Dallas.

Comparative Highlights

(Dollar amounts in millions)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,		For the Three Months Ended September 30, 2008 vs. 2007 Increase (Decrease)		For the Nine Months Ended September 30, 2008 vs. 2007 Increase (Decrease)	
	2008	2007	2008	2007	$	%	$	%
Net interest income	$1,422	$1,180	$3,961	$3,254	$ 242	20.5%	$707	21.7%
Net income	506	732	1,921	1,981	(226)	(30.9)%	(60)	(3.0)%

Net interest income increased in the third quarter and first nine months of 2008, compared to the third quarter and first nine months of 2007, primarily because volume increases in advances and investments offset the decline in interest rates. Net income decreased in the third quarter and first nine months of 2008 compared to the third quarter and first nine months of 2007 primarily due to the increases in net losses on derivatives and hedging activities, the increases in net losses on investment securities, and the provision for derivative counterparty credit losses due from Lehman Brothers Special Financing Inc. (LBSF), which were partially offset by the increases in net interest income and the net gains on advances and consolidated obligations—bonds held at fair value.

The FHLBanks' net gains (losses) on trading securities, instruments held at fair value under the fair value option and derivatives and hedging activities resulted in the following (dollar amounts in millions):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,		For the Three Months Ended 2008 vs. 2007 (Decrease) Increase	For the Nine Months Ended 2008 vs. 2007 (Decrease) Increase
	2008	2007	2008	2007	$	$
Net gains (losses) on trading securities	$ 11	$ 124	$(121)	$ 34	$(113)	$(155)
Net gains on advances and consolidated obligations—bonds held at fair value	102		148		102	148
Net losses on derivatives and hedging activities	(262)	(124)	(282)	(46)	(138)	(236)

In general, derivatives and associated hedged instruments and certain assets and liabilities that are carried at fair value are held to the maturity, call, or put date. Therefore, for these financial instruments, nearly all of the cumulative net gains and losses that are unrealized gains or losses are primarily a matter of timing and will generally reverse over the remaining contractual terms of the hedged financial instrument, associated interest-rate exchange agreement, or financial instrument carried at fair value. However, there may be instances in which these instruments are terminated prior to maturity or prior to the call or put dates. Terminating the financial instrument or hedging relationship may result in a realized gain or loss, such as the FHLBanks' derivative transactions with LBSF. (See "Results of Operations — Provision for Derivative Counterparty Credit Losses" for further discussion.) In addition, the FHLBanks may have instances in which they may sell trading securities prior to maturity, which may also result in a realized gain or loss.

Hedge ineffectiveness occurs when changes in the fair value of the derivative and the related hedged item do not perfectly offset each other. Hedge ineffectiveness is driven by changes in the benchmark interest rate and volatility. As the benchmark interest rate changes and the magnitude of that change intensifies, so will the effect on the FHLBanks' net gains (losses) on derivatives and hedging activities. Additionally, volatility in the marketplace may intensify this effect.

(Dollar amounts in millions)	For the Three Months Ended September 30, 2008	2007	For the Nine Months Ended September 30, 2008	2007	For the Three Months Ended 2008 vs. 2007 Increase $	For the Nine Months Ended 2008 vs. 2007 Increase $
Total operating expenses	$181	$171	$540	$515	$10	$25

The increase in operating expenses for the third quarter of 2008 compared to the third quarter of 2007 is primarily attributable to employee salaries and benefits costs. The increase in operating expenses for the first nine months of 2008 compared to the first nine months of 2007 is primarily attributable to $14 million in employee salaries and benefits costs and $3 million in costs resulting from the termination of merger discussions between the FHLBanks of Chicago and Dallas that were expensed in the first quarter of 2008.

(Dollar amounts in millions)	For the Three Months Ended September 30, 2008	2007	For the Nine Months Ended September 30, 2008	2007	For the Three Months Ended September 30, 2008 vs. 2007 Increase $	%	For the Nine Months Ended September 30, 2008 vs. 2007 Increase $	%
Daily average total assets	$1,360,261	$1,110,102	$1,332,721	$1,047,537	$250,159	22.5%	$285,184	27.2%

The increase in average assets is primarily the result of the growth in the FHLBanks' advances and in investment portfolios during the third quarter and nine months ended September 30, 2008.

Key amounts as a percentage of total assets are as follows (dollar amounts in millions):

	September 30, 2008		December 31, 2007		
	Amount	Percentage of Total Assets	Amount	Percentage of Total Assets	Increase (Decrease) %
Advances	$1,011,695	70.8%	$ 875,061	68.8%	15.6%
Investments	316,015	22.1%	297,058	23.4%	6.4%
Mortgage loans held for portfolio, net	87,916	6.2%	91,610	7.2%	(4.0)%
Total assets	1,428,742		1,271,800		12.3%
Total consolidated obligations, net	1,322,822		1,178,916		12.2%
Total capital	57,061		53,597		6.5%

Advances increased as a percentage of total assets due to continuous member demand during 2008. Even though investments increased at September 30, 2008 from December 31, 2007, investments, along with mortgage loans held for portfolio, decreased slightly as a percentage of total assets. Consolidated obligations increased to support the growth in total assets.

In light of the extraordinary events affecting the credit markets that began during the third quarter of 2007, members continued to increase their level of borrowing in FHLBank advances. Despite ongoing turbulence in the capital markets, the FHLBanks continued to issue funding at an attractive cost during the first nine months of 2008 while reinforcing their role as liquidity providers to members. Mortgage loans held for portfolio decreased as a result of market conditions and lower origination and refinancing volumes.

Investments fluctuate due to changes in the amount of the FHLBanks' asset activity, anticipated asset activity and liquidity requirements. Investments in Federal funds sold increased $8.5 billion from December 31, 2007 to September 30, 2008 due to liquidity needs in light of current market conditions.

The increase in the level of capital at September 30, 2008 is attributable to a number of factors including: increases in advances and the corresponding minimum capital stock purchase requirements, the accumulation of retained earnings, and the payment and use of stock dividends instead of cash dividends. A number of FHLBanks have increased their accumulated retained earnings as a result of regulatory requirements and to offset the possible effect of temporary income volatility associated with Statement of Financial Accounting Standards (SFAS) No. 133, *Accounting for Derivative Instruments and Hedging Activities,* as amended by SFAS No. 137, *Accounting for Derivative Instruments and Hedging Activities—Deferral of Effective Date of FASB Statement No. 133*, SFAS No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities,* SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities* and SFAS No. 155, *Accounting for Certain Hybrid Financial Instruments, an Amendment of FASB Statements No. 133 and 140* (SFAS 133). The FHLBanks' combined regulatory capital-to-assets ratio at September 30, 2008 was 4.44 percent, up from 4.41 percent at December 31, 2007. The FHLBanks' combined capital-to-assets ratio calculated in accordance with accounting principles generally accepted in the United States of America (GAAP) at September 30, 2008 was 3.99 percent, down from 4.21 percent at December 31, 2007 due to the increase in assets, which was greater than the increase in capital.

Key ratios are as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2008	2007	2008	2007
Return on average assets (basis points)	15	26	19	25
Return on average equity	3.51%	6.16%	4.58%	5.85%
Weighted average dividend rate	3.50%	5.16%	4.47%	5.27%

The decreases in return on average assets and return on average equity for the three and nine months ended September 30, 2008 are due primarily to larger increases in the average total assets and average invested equity balances, resulting mainly from an increase in outstanding advances, in comparison to the increase in net income from prior periods, as a result of the lower interest rate environment. The dividend rate has been influenced by each FHLBank's retained earnings policies, dividend policies, net earnings, business strategies and Finance Agency regulations.

Financial Trends

Conditions in Financial Markets During the Third Quarter of 2008.

During the third quarter of 2008, a series of events affecting the financial services industry resulted in significant changes in the number, ownership structure and liquidity of some of the industry's largest companies. The Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac) were placed into conservatorship by the Finance Agency. Lehman Brothers Holdings, Inc. (LBHI) declared bankruptcy, Merrill Lynch & Co., Inc. agreed to be purchased by Bank of America Corporation, and Morgan Stanley and Goldman Sachs requested regulatory approval to convert to bank holding companies. During the third quarter of 2008, IndyMac Bank, F.S.B. was closed by the Office of Thrift Supervision, and the banking operations of Washington Mutual, Inc. (Washington Mutual Bank, Henderson, NV and Washington Mutual Bank, FSB, Park City, UT) were sold to JPMorgan Chase.

As was the case during the second quarter of 2008, market participants continued to be cautious about the creditworthiness of trade counterparties, which continued to curtail market liquidity during the third quarter of 2008. During the second quarter, uncertainty with regard to the magnitude of future write-downs of mortgage-related holdings on the books of commercial banks and securities dealers influenced

the degree to which transaction counterparties were willing to extend unsecured credit to each other. During the third quarter, this concern extended to other asset classes, such as commercial and credit card loans, and derivatives, such as credit default swaps.

Early in the third quarter of 2008, investor caution toward interest-rate, basis and credit risk was reflected in growth in the aggregate balance of assets in domestic money market mutual funds. Total money market fund assets, as reported by the Investment Company Institute, peaked in the third quarter during the week ended September 3, 2008 at $3.586 trillion. On September 16, 2008 the Reserve Primary Fund announced investor losses due to exposure to LBHI. Subsequent to this announcement, total money fund assets fell sharply and there was a large movement of funds out of "prime" funds and into funds that restrict investments to U.S. Treasury and agency debt. In response, the U.S. Treasury announced, on September 19, 2008, the establishment of a temporary guaranty program for the U.S. money market fund industry.

We believe that this change in the landscape of the financial services industry motivated many investors to assume a defensive posture toward both credit and spread risk. Some investors, including some foreign central banks, became generally cautious toward any investments linked to the U.S. housing market, including mortgage-backed securities and senior debt issued by the housing government-sponsored enterprises (GSEs), such as the FHLBanks. We believe that other investors, such as some domestic banking institutions, sold off liquid assets, such as GSE debt, in order to meet liquidity needs. We also believe that other investors, such as government entities that rely on tax receipts for funding, curtailed investment activity to reflect the decline in budget surpluses. Between the weeks ended July 31, 2008 and September 25, 2008, agency securities (debt and MBS combined) held in custody for foreign official and international accounts, as reported in Federal Reserve Statistical Release H.4.1, declined $19.5 billion. In contrast, over that same period, holdings of U.S. Treasury securities increased $73.7 billion. We believe that these trends reflected extreme investor caution toward securities with any degree of perceived credit risk and diminished liquidity.

This general decline in investor confidence, coupled with the uncertainty generated by swift and dramatic actions undertaken by the U.S. government (i.e., conservatorship for Fannie Mae and Freddie Mac, American International Group loan facility, guaranty program for money market mutual funds and the Troubled Asset Relief Program (TARP)), reduced dealer and investor sponsorship of "long-term" senior debt (maturity date of greater than one year) issued by the FHLBanks, which increased FHLBank funding costs and reduced funding availability. Investor concerns about GSE debt included the December 31, 2009 expiration date for a newly-created GSE liquidity facility, the uncertain length of the conservatorships of Fannie Mae and Freddie Mac and confusion about the level of government support for the two government-controlled entities relative to the FHLBanks.

During the third quarter of 2008, uncertainty grew with respect to the outlook for the net supply of GSE debt over the next six to twelve months. During the month of August 2008, Fannie Mae and Freddie Mac reported a steep decline in the size of their aggregate retained portfolios of mortgage loans, as well as the prospect for net asset sales over subsequent months. Following the September 2008 announcement of the conservatorship action for both enterprises, the Finance Agency unveiled aggressive, short-term retained portfolio growth targets for both enterprises. During this period of uncertainty with regard to the growth of Fannie Mae and Freddie Mac, and the resulting effect on GSE debt outstanding, the FHLBanks were increasing debt outstanding to meet the growing funding needs of member institutions. Amid these rapid changes in the outlook for overall GSE debt supply, investors sought to understand the effect of a deteriorating banking sector on FHLBank debt outstanding and the resulting effect on the price performance of FHLBank consolidated obligations.

Over the course of the third quarter, FHLBank funding costs associated with issuing long-term senior debt, as compared to three-month LIBOR on a swapped cash-flow basis, rose sharply relative to "short-term" senior debt (maturity date of one year or less). This change in the slope of the funding curve reflected general investor reluctance to buy long-term obligations of the GSEs, coupled with strong investor demand for short-term, high-quality assets. As investors struggled with price declines of long-term GSE debt, money market funds provided a strong bid for short-term GSE debt. As such, during the

quarter, the FHLBanks issued large quantities of consolidated obligations—discount notes (including floating-rate consolidated obligations—discount notes), and short-term callable and bullet consolidated obligations—bonds in order to meet this demand.

The third quarter of 2008 growth of assets in money market funds that limit investments to U.S. government and agency debt lifted demand for short-term GSE debt. In contrast, domestic banks, historically large buyers of callable debt, were net sellers of GSE debt in aggregate over the course of 2008, leading to lower overall issuance of callable debt and lower issuance of long-term callable debt. As a result, the proportion of outstanding callable FHLBank consolidated obligations—bonds remained historically low at the end of the third quarter of 2008, while the proportion of non-callable, short-term bullet and floating-rate debt increased. The increase in short-term consolidated obligations—bond issuance also reduced the weighted-average maturity of consolidated obligations—bonds outstanding.

Due to the strong market demand for short-term high-quality investments, the FHLBanks increased the relative use of consolidated obligations—discount notes as a source of funding. As a proportion of total debt outstanding, and on an absolute basis, the outstanding amount of consolidated obligations—discount notes rose, increasing the relative prominence of this funding vehicle. Market volatility and underwriter risk aversion resulted in a reduction in the volume of consolidated obligations—discount notes sold through an auction format. The reduction in the volume provided by this channel was supplemented by increasing the issuance of consolidated obligations—discount notes through negotiated transactions, which generally entail less risk for underwriters.

Review of Interest-Rate Levels and Volatility in the Third Quarter of 2008.

The primary external factors that affect net interest income are market interest rate levels and volatility, credit spreads and the general state of the economy.

Interest rates prevailing during any reporting period affect the FHLBanks' profitability for that reporting period, due primarily to the short-term structure of earning assets and the effect of interest rates on invested capital. At September 30, 2008 and December 31, 2007, the majority of investments, excluding mortgage-backed securities, and approximately 44 percent and 33 percent of the outstanding advances, had stated maturities of less than one year. Additionally, a significant portion of the FHLBanks' advances has been hedged with interest-rate exchange agreements in which a short-term, variable rate is received. The demand for FHLBank debt, as well as current short-term interest rates, as represented, for example, by the overnight Federal funds target rate, has an effect on the FHLBanks' profitability as measured by net interest income and return on average equity.

Interest rates also directly affect the FHLBanks through earnings on invested capital. Generally, due to the FHLBanks' cooperative structures, the FHLBanks earn relatively narrow net spreads between the yield on assets and the cost of corresponding liabilities. As a result, compared with other financial institutions, a relatively higher proportion of FHLBank income is generated from the investment of member-supplied capital at the average asset yield. Consequently, changes in asset yields tend to have a greater effect on FHLBank profitability than on the profitability of financial institutions in general. Most FHLBanks' return on capital follows short-term rates such as the Federal funds or 3-month LIBOR rates, while certain FHLBank average asset yields and corresponding returns on capital are driven by longer-term assets, such as mortgage loans purchased through the mortgage purchase programs and mortgage-backed securities (also referred to as MBS) and collateralized mortgage obligations (CMO)-related investment holdings.

Certain capital markets developments may also affect the performance of the FHLBanks. Specifically, the pricing relationships between the mortgage, agency, and derivative markets and the level of market price volatility may affect the attractiveness of mortgage products for the FHLBanks as well as the cost of FHLBank debt.

The following table presents information on key market interest rates at September 30, 2008 and December 31, 2007 and key average market interest rates for the three and nine months ended September 30, 2008 and 2007.

	September 30, 2008 Ending Rate	December 31, 2007 Ending Rate	Third Quarter 2008 Three-Month Average	Third Quarter 2007 Three-Month Average	First Nine Months 2008 Nine-Month Average	First Nine Months 2007 Nine-Month Average
Federal Funds Target (1)	2.00%	4.25%	2.00%	5.18%	2.42%	5.23%
3-month LIBOR (1)	4.05%	4.70%	2.91%	5.44%	2.98%	5.39%
2-year LIBOR (1)	3.45%	3.81%	3.37%	5.01%	3.16%	5.13%
5-year LIBOR (1)	4.09%	4.18%	4.08%	5.17%	3.88%	5.17%
10-year LIBOR (1)	4.49%	4.67%	4.55%	5.42%	4.46%	5.34%
3-month U.S. Treasury (1)	0.91%	3.24%	1.54%	4.44%	1.76%	4.80%
2-year U.S. Treasury (1)	1.96%	3.05%	2.36%	4.39%	2.27%	4.65%
5-year U.S. Treasury (1)	2.98%	3.44%	3.11%	4.51%	3.00%	4.64%
10-year U.S. Treasury (1)	3.83%	4.03%	3.85%	4.73%	3.79%	4.75%
15-year residential mortgage note rate (2)	5.82%	5.60%	5.90%	6.13%	5.60%	6.00%
30-year residential mortgage note rate (2)	6.07%	6.05%	6.31%	6.44%	6.07%	6.30%

(1) Source: Bloomberg.

(2) Average calculated using "The Mortgage Bankers Association Weekly Application Survey." September 30, 2008 ending rate is from the last week in September 2008 and December 31, 2007 ending rate is from the last week in December 2007.

The Federal Reserve Board, through its Federal Open Market Committee (FOMC), lowered its target for the Federal funds rate by a total of 100 basis points during 2007. As of September 30, 2008, the FOMC had lowered the Federal funds rate four more times during 2008 (with all four of these reductions occurring in the first half of 2008), resulting in an additional 225 basis point reduction in the Federal funds rate to 2 percent.

Both short-term and long-term interest rates generally followed this downward trend in the Federal funds rate. For example, due to aggressive and unprecedented action by U.S. and foreign central banks to add liquidity to the money markets, the average three-month and two-year LIBOR rates decreased approximately 253 and 164 basis points from the third quarter of 2007 to the third quarter of 2008, while the average three-month and two-year U.S. Treasury rates for the third quarter of 2008 was approximately 290 and 203 basis points lower than the corresponding three-month and two-year U.S. Treasury rates during the third quarter of 2007. Average five-year and ten-year U.S. Treasury rates were lower by 164 and 96 basis points in the first nine months of 2008 compared to the same period in 2007, while average five-year and ten-year LIBOR rates were lower by 129 and 88 basis points over this time period.

The Securities Industry and Financial Markets Association's (SIFMA's) November 2008 "Research Quarterly," the latest date for which information is publicly available, noted that capital markets issuance in the first nine months of 2008 reached $4.2 trillion, a 24.8 percent decrease from the $5.6 trillion issued in the first nine months of 2007. Mortgage-related securities issuance decreased 32.2 percent to $1,121.9 billion in the first nine months of 2008 from $1,654.0 billion in the first nine months of 2007. The shift toward GSE or agency mortgage financing led to higher agency debt and MBS issuance in the first nine months of 2008. Long-term federal agency debt issuance rose 48.6 percent from $685.8 billion in the first nine months of 2007 to $1,019.1 billion in the first nine months of 2008. The FHLBanks accounted for approximately half of total agency debt issuance in the first nine months of 2008. With increased demand for funding from member banks, the FHLBanks' long-term debt issuance increased 43.8 percent from $342.6 billion in the first nine months of 2007 to $492.7 billion during the same period in 2008.

During the third quarter of 2008, the dollar amount of callable FHLBank consolidated obligations—bonds redeemed prior to maturity (called) was slightly lower than during the third quarter of 2007.

However, during the first nine months of 2008, the amount of FHLBank consolidated obligations—bonds called was almost twice that of the corresponding period in 2007. FHLBank consolidated obligations—bond call volume increased sharply beginning in the fourth quarter of 2007, as market interest rates declined, and call volume accelerated during the first half of 2008. The dollar volume of FHLBank consolidated obligations—bonds called during the third quarter of 2008, however, was substantially lower than during the first two quarters of the year.

Macroeconomic Factors Affecting the FHLBanks.

The mortgage market continues to undergo a number of changes. Mortgage loan delinquencies and defaults have increased over the past year, particularly in the nonprime sector, reflecting the combination of a softening residential real estate market in many areas of the nation, the effect of less rigorous loan underwriting standards and interest-rate resets on variable-rate loans. In addition, mortgage originators, dealers and investors incurred significant markdowns on the value of subprime, alternative documentation and payment-option loans and securities backed by these loans. As a result, a number of high-profile originators have exited subprime and alternative documentation lending, disposed of assets or filed for bankruptcy as warehouse lenders invoked lending covenants and seized collateral. The FHLBanks have not experienced significant losses from their holdings of mortgage loans or MBS, due primarily to conservative underwriting and investment policies.

For the third quarter ended September 30, 2008, the FDIC reported that total assets and deposits of all FDIC-insured institutions increased compared to the quarter ended September 30, 2007. Total assets and total liabilities for all FDIC-insured institutions each increased 6.8 percent over this time period. Total loans and leases for all FDIC-insured institutions increased 3.7 percent compared to the September 30, 2007 balance, while total domestic deposits increased to $7.22 trillion, a 7.2 percent increase over the same period. Total assets of all FDIC-insured institutions increased by $273.2 billion, or 2.1 percent, during the third quarter of 2008, led by a $146.8 billion increase in balances at Federal Reserve banks and a $74.6 billion increase in asset-backed commercial paper holdings, while total deposits for all FDIC-insured institutions increased by $154.8 billion, or 1.8 percent, as noninterest-bearing deposits in domestic offices rose by $175.7 billion, or 14.4 percent. Non-deposit liabilities increased by $162.5 billion, or 4.8 percent, during the third quarter of 2008, as insured institutions increased their borrowings from the Federal Reserve as well as their advances from FHLBanks. During the three-month period ended September 30, 2008, FHLBank advances to FDIC-insured institutions increased to $911.5 billion, an 18.3 percent increase over the third quarter of 2007. A sustained growth in bank deposits, due in part to the temporary increase in FDIC deposit insurance from $100 thousand to $250 thousand per depositor through December 31, 2009, combined with the various actions of the U.S. government to provide capital and liquidity to the GSE and banking sectors, may lower the future demand for advances from the FHLBanks.

Conditions in Financial Markets Subsequent to the Third Quarter of 2008.

Beginning in late September and continuing into the fourth quarter of 2008, one- and three-month LIBOR began resetting to unprecedented levels relative to the overnight Federal funds target rate. The spread between one- and three-month LIBOR and the overnight Federal funds target rate exceeded 3.00 percent at times during October 2008 and has settled into a range of between 0.90 to 1.25 percent during the first part of December 2008. Please refer to the previous table for historical key market interest rates.

During the same time period of this LIBOR dislocation, rising volatility in the equities markets and deteriorating conditions in the credit markets motivated the U.S. government to take additional steps to jump start the short-term credit markets. Starting in late September 2008, announced actions included, but were not limited to, the creation of the Commercial Paper Funding Facility (CPFF), the Guaranty Program for Money Market Funds, the Money Market Investor Funding Facility (MMIFF), the Temporary Liquidity Guarantee Program (TLGP), the Term Asset-Backed Securities Loan Facility (TALF), and a program to purchase $100 billion of senior debt and $500 billion of MBS issued by the housing GSEs. In addition, the dollar amount of funding available to the banking industry via the Term Auction

Facility (TAF) was increased. Additionally, subsequent to September 30, 2008, the FOMC has reduced the Federal funds target rate by a total of 100 basis points to 1.00 percent. Some of these programs have had unintended adverse consequences for the FHLBanks.

Frequent changes to the policies and forces shaping the fixed income markets tested the ability of investors to develop and maintain investment strategies and funds allocation schemes. As such, many market participants have prioritized liquidity and safety of principal over return.

Commencing with the initiation of the rescue of Fannie Mae and Freddie Mac, followed by the conservatorship and subsequent U.S. government actions to address the credit crisis, investors and dealers became cautious about buying or trading longer-term GSE debt. Market participants are now faced with a change in the set of facts that are available to determine the value of GSE debt. As a result, market depth and bid/offer spreads in the GSE debt market, particularly the term debt market, have deteriorated. During early October, the FHLBanks became more reliant on consolidated obligations—discount notes for funding. As access to the term debt market has deteriorated, the FHLBanks have continued to meet the funding needs of the banking industry.

Following the announced conservatorship of Fannie Mae and Freddie Mac, market prices indicate that market participants believe that obligations of the two GSEs offer lower credit risk than consolidated obligations of the FHLBanks. However, a stable spread relationship between the debt instruments of these two classes of GSEs has not yet emerged, resulting in ongoing spread volatility.

On October 27, 2008, a joint notice of proposed rulemaking, with a 30-day request for comments, was announced in the Federal Register by federal bank and thrift regulatory agencies to lower the risk weight for certain obligations of Fannie Mae and Freddie Mac from twenty percent to ten percent. According to the joint notice of proposed rulemaking published in the Federal Register, the proposed change in regulation is reflective of the current level of financial support provided to the two firms by the U.S. Treasury. The agencies also requested comment on whether to reduce the risk weight for FHLBank debt in the same manner. This regulation, if adopted without a corresponding change in the risk weight for FHLBank debt, could result in higher investor demand for Fannie Mae and Freddie Mac debt securities relative to similar FHLBank debt securities, which could adversely affect the FHLBanks by increasing their funding costs.

The FDIC-offered TLGP creates a new class of debt with an express guarantee by an agency of the U.S. government. With the program fully operational, some amount of investor capital and dealer focus will be channeled to the new asset class. As a result, upon the announcement of the program to the market, the pricing of long-term debt of all housing GSEs, including the FHLBanks, deteriorated. On November 21, 2008, the FDIC published the final rule regarding the TLGP. As of December 3, 2008, $38.6 billion of U.S. dollar denominated bonds have been issued under the TLGP.

Limited access to the term debt market has resulted in a large proportion of FHLBank debt maturing within one year. The FHLBanks are receiving a large proportion of their funding from money funds, which are attracted to the structure and quality of current short-term FHLBank issues. Any significant change in market conditions that result in an overall decline in money fund assets, or money funds reallocating portfolio holdings out of GSE debt, has the potential to raise funding costs for the FHLBanks.

Combined Statement of Condition

SFAS 133 and SFAS 159. SFAS 133 requires that assets and liabilities hedged with derivative instruments designated under fair value hedging relationships be adjusted for changes in value attributable to the risk being hedged (e.g., benchmark interest rate risk) even as other assets and liabilities continue to be carried on a historical cost basis. SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities—Including an Amendment of FASB Statement No. 115* (SFAS 159), provides an option to elect fair value as an alternative measurement for selected financial assets, financial liabilities, unrecognized firm commitments, and written loan commitments not previously carried at fair value. In discussing changes in the Combined Statement of Condition at September 30, 2008 compared to

December 31, 2007, the SFAS 133 and SFAS 159 fair value adjustments and basis adjustments for advances, available-for-sale securities, mortgage loans held for portfolio and consolidated obligations have been included. All other SFAS 133 hedging adjustments were less than one percent of the book value. The SFAS 133 and SFAS 159 hedging and valuation adjustments for advances, available-for-sale securities, mortgage loans held for portfolio and consolidated obligations are as follows:

SFAS 133 Hedging and SFAS 159 Valuation Adjustments
(Dollar amounts in millions)

	September 30, 2008	December 31, 2007
Advances at pre-SFAS 133 and 159 value	$1,003,380	$ 867,144
SFAS 133 hedging adjustments	8,084	7,917
SFAS 159 valuation adjustments (1)	231	
Advances at carrying value	$1,011,695	$ 875,061
Available-for-sale securities at pre-SFAS 133 value (2)	$ 11,216	$ 5,710
SFAS 133 hedging adjustments	92	103
Available-for-sale securities at carrying value	$ 11,308	$ 5,813
Mortgage loans held for portfolio at pre-SFAS 133 value	$ 87,812	$ 91,503
SFAS 133 hedging adjustments	116	115
Mortgage loans held for portfolio at carrying value	$ 87,928	$ 91,618
Consolidated obligations at pre-SFAS 133 and 159 value	$1,321,497	$1,176,111
SFAS 133 hedging adjustments	1,562	2,805
SFAS 159 valuation adjustments (1)	(237)	
Consolidated obligations at carrying value	$1,322,822	$1,178,916

(1) See "Note 10—Fair Value Disclosures" to the accompanying combined financial statements for discussion about financial instruments carried at fair value on the statement of condition by the FHLBanks.

(2) Book value includes fair value adjustments under SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities* (SFAS 115).

The following discussion contains additional information on the major categories of the FHLBanks' Combined Statement of Condition: advances, investments, mortgage loans held for portfolio, consolidated obligations and capital.

Advances. In light of the extraordinary events affecting the credit markets that began during the third quarter of 2007, members have increased their level of borrowing in FHLBank advances during the period, particularly in short-term advances, due in one year or less.

At September 30, 2008, the FHLBanks had $6.6 billion of CIP housing advances and $2.2 billion of CIP commercial and economic development advances outstanding.

Advances by Redemption Terms
(Dollar amounts in millions)

Redemption Term	September 30, 2008 Amount	September 30, 2008 Weighted-Average Interest Rate	December 31, 2007 Amount	December 31, 2007 Weighted-Average Interest Rate
Overdrawn demand and overnight deposit accounts	$ 16		$ 86	
Due in 1 year or less	437,454	2.95%	288,696	4.51%
Due after 1 year through 2 years	176,340	3.73%	174,061	4.82%
Due after 2 years through 3 years	113,244	3.89%	124,529	4.96%
Due after 3 years through 4 years	66,030	3.90%	82,819	5.10%
Due after 4 years through 5 years	62,192	3.57%	67,280	4.86%
Thereafter	144,430	3.98%	126,363	4.57%
Index amortizing advances	3,721	4.63%	3,415	4.71%
Total par value	1,003,427	3.45%	867,249	4.73%
Commitment fees	(6)		(4)	
Discount on AHP advances	(67)		(68)	
Premiums	70		30	
Discounts	(44)		(63)	
SFAS 133 hedging adjustments	8,084		7,917	
SFAS 159 valuation adjustments	231			
Total	$1,011,695		$875,061	

Index amortizing advances require repayment in accordance with predetermined amortization schedules linked to various indices. Usually, as market interest rates rise (fall), the maturity of an index amortizing advance extends (contracts).

Advances by Interest Rate Payment Terms
(Dollar amounts in millions)

	September 30, 2008 Amount	September 30, 2008 Percentage of Total	December 31, 2007 Amount	December 31, 2007 Percentage of Total
Par amount of advances				
Fixed-rate	$ 678,201	67.6%	$565,805	65.2%
Variable-rate	325,226	32.4%	301,444	34.8%
Total	$1,003,427	100.0%	$867,249	100.0%

Advance Originations
(Dollar amounts in millions)

	For the Three Months Ended September 30, 2008	For the Three Months Ended September 30, 2007	For the Nine Months Ended September 30, 2008	For the Nine Months Ended September 30, 2007	For the Three Months Ended September 30, 2008 vs. 2007 Increase $	For the Three Months Ended September 30, 2008 vs. 2007 Increase %	For the Nine Months Ended September 30, 2008 vs. 2007 Increase $	For the Nine Months Ended September 30, 2008 vs. 2007 Increase %
Advances originated	$2,275,097	$2,034,914	$6,815,066	$5,542,223	$240,183	11.8%	$1,272,843	23.0%
Advances repaid	2,178,075	1,855,122	6,678,837	5,361,888	322,953	17.4%	1,316,949	24.6%
Net increase	$ 97,022	$ 179,792	$ 136,229	$ 180,335				

The increase in advance originations noted in the previous table generally reflected an increase in demand by members for short-term advances as a result of the continued credit crisis, the interest-rate environment and heavy refinancing activity in advances.

Many of the FHLBanks' advances are callable at the option of the member borrowing the advance. However, the FHLBanks charge a prepayment fee when members terminate certain advances. Members may repay other advances on specified dates (call dates) without incurring prepayment fees (callable advances).

Callable Advances Outstanding—Par Value
(Dollar amounts in millions)

	September 30, 2008		December 31, 2007		Increase	
	Amount	Percentage of Par Value	Amount	Percentage of Par Value	$	%
Callable advances	$47,459	4.7%	$34,270	4.0%	$13,189	38.5%

Advances by Year of Contractual Maturity or Next Call Date
(Dollar amounts in millions)

	September 30, 2008	Percentage of Total	December 31, 2007	Percentage of Total
Overdrawn demand and overnight deposit accounts	$ 16	0.0%	$ 86	0.0%
Due in 1 year or less	479,694	47.8%	316,830	36.6%
Due after 1 year through 2 years	171,270	17.0%	169,570	19.6%
Due after 2 years through 3 years	103,583	10.3%	121,340	14.0%
Due after 3 years through 4 years	59,738	6.0%	78,372	9.0%
Due after 4 years through 5 years	56,793	5.7%	62,813	7.2%
Thereafter	128,612	12.8%	114,823	13.2%
Index amortizing advances	3,721	0.4%	3,415	0.4%
Total par value	$1,003,427	100.0%	$867,249	100.0%

The FHLBanks also offer convertible and putable advances. Convertible advances allow an FHLBank to convert a fixed-rate advance to an open-line advance or another structure after an agreed-upon lockout period. A convertible advance carries an interest rate lower than a comparable maturity advance that does not have a conversion feature. With a putable advance, an FHLBank has the right to terminate the advance at its discretion, which the FHLBank normally would exercise when interest rates increase, and the borrower may then apply for a new advance.

Convertible and Putable Advances Outstanding—Par Value
(Dollar amounts in millions)

	September 30, 2008		December 31, 2007	
	Amount	Percentage of Par Value	Amount	Percentage of Par Value
Convertible advances	$ 50,526	5.0%	$ 49,055	5.7%
Putable advances	93,235	9.3%	82,845	9.6%
Convertible and putable advances	$143,761	14.3%	$131,900	15.3%

Advances by Year of Contractual Maturity or Next Put/Convert Date
(Dollar amounts in millions)

	September 30, 2008	Percentage of Total	December 31, 2007	Percentage of Total
Overdrawn demand and overnight deposit accounts	$ 16	0.0%	$ 86	0.0%
Due in 1 year or less	537,775	53.6%	376,111	43.3%
Due after 1 year through 2 years	182,571	18.2%	190,760	22.0%
Due after 2 years through 3 years	113,273	11.3%	116,883	13.5%
Due after 3 years through 4 years	51,534	5.1%	78,721	9.1%
Due after 4 years through 5 years	55,029	5.5%	49,378	5.7%
Thereafter	59,508	5.9%	51,895	6.0%
Index amortizing advances	3,721	0.4%	3,415	0.4%
Total par value	$1,003,427	100.0%	$867,249	100.0%

Investments. All securities are held by the FHLBanks for investment, liquidity or asset-liability management purposes. Certain investment securities are classified as trading for liquidity or asset-liability management purposes. Regulations do not expressly prohibit the FHLBanks from trading in investments, but none of the FHLBanks currently hold trading securities for speculative purposes.

At September 30, 2008 and December 31, 2007, 93.6 percent and 94.3 percent of the total investment securities classified on the Combined Statement of Condition as held-to-maturity, available-for-sale or trading securities were rated in the two highest investment rating categories for long-term or short-term investments as defined by Standard & Poor's Rating Services (S&P), Moody's Investors Service (Moody's) and/or Fitch Ratings (Fitch). At September 30, 2008, approximately 7 percent of total investment securities were on negative watch. Of the 7 percent of securities on negative watch, approximately 3 percent represented private-label residential and commercial MBS, manufactured housing loans and home equity loan investments, and the balance was primarily related to certificates of deposit, commercial paper and state or local housing agency obligations.

Investments
(Dollar amounts in millions)

	September 30, 2008	December 31, 2007	(Decrease) Increase	
			$	%
Investments (excluding mortgage-backed securities)	$142,874	$153,545	$(10,671)	(6.9)%
Mortgage-backed securities	173,141	143,513	29,628	20.6%
Total investments	$316,015	$297,058	$ 18,957	6.4%

Investments
(Dollar amounts in millions)

	September 30, 2008		December 31, 2007		Increase	
	Amount	Percentage of Total Investments	Amount	Percentage of Total Investments	$	%
Held-to-maturity securities	$200,228	63.4%	$197,818	66.6%	$ 2,410	1.2%
Available-for-sale securities	11,308	3.6%	5,813	2.0%	5,495	94.5%
Trading securities	7,848	2.4%	6,809	2.3%	1,039	15.3%
Total investment securities	219,384	69.4%	210,440	70.9%	8,944	4.3%
Securities purchased under agreements to resell	2,300	0.7%	800	0.2%	1,500	187.5%
Federal funds sold	94,331	29.9%	85,818	28.9%	8,513	9.9%
Total investments	$316,015	100.0%	$297,058	100.0%	$18,957	6.4%

Investment Securities
(Dollar amounts in millions)

	September 30, 2008		December 31, 2007	
	Amount	Percentage of Total Investment Securities	Amount	Percentage of Total Investment Securities
Commercial paper	$ 3,204	1.4%	$ 7,197	3.4%
Certificates of deposit and bank notes (1)	28,438	13.0%	46,642	22.2%
Other U.S. obligations*	610	0.3%	725	0.3%
Government-sponsored enterprises**	10,771	4.9%	8,874	4.2%
State or local housing agency obligations	2,798	1.3%	2,977	1.4%
Other	422	0.2%	512	0.2%
	46,243	21.1%	66,927	31.7%
Mortgage-backed securities:				
Other U.S. obligations*	359	0.2%	430	0.2%
Government-sponsored enterprises***	95,098	43.3%	55,098	26.2%
Other****	77,684	35.4%	87,985	41.9%
	173,141	78.9%	143,513	68.3%
Total investment securities	$219,384	100.0%	$210,440	100.0%

(1) Represents Certificates of deposit and bank notes that meet the definition of a security under SFAS 115. (See "Note 1—Summary of Significant Accounting Policies" to the accompanying combined financial statements.)

* Primarily consists of Government National Mortgage Association (Ginnie Mae) and/or Small Business Administration (SBA) investment pools.

** Primarily consists of debt securities issued or guaranteed by Freddie Mac, Fannie Mae and/or the Tennessee Valley Authority (TVA).

*** Primarily consists of securities issued or guaranteed by Freddie Mac and/or Fannie Mae.

**** Primarily consists of private-label mortgage-backed securities.

Mortgage-Backed Securities Investment Portfolio
(Expressed as a percentage of total mortgage-backed securities holdings)
(Dollar amounts in millions)

	September 30, 2008		December 31, 2007	
	Carrying Value	Percentage of Total	Carrying Value	Percentage of Total
Government-sponsored enterprises residential mortgage-backed securities*	$ 95,098	54.9%	$ 55,098	38.4%
Private-label residential mortgage-backed securities	73,524	42.5%	82,038	57.2%
Home equity loans	2,166	1.2%	2,462	1.7%
Private-label commercial mortgage-backed securities	1,323	0.8%	2,757	1.9%
MPF Shared Funding Program mortgage-backed certificates	407	0.2%	439	0.3%
Other U.S. obligations residential mortgage-backed securities**	359	0.2%	430	0.3%
Manufactured housing loans	264	0.2%	289	0.2%
Total mortgage-backed securities	$173,141	100.0%	$143,513	100.0%

* Primarily consists of securities issued or guaranteed by Freddie Mac and/or Fannie Mae.

** Primarily consists of Ginnie Mae and/or SBA investment pools.

Regulator policy limits additional investments in mortgage-backed securities if an FHLBank's investments in mortgage-backed securities exceed 300 percent of the sum of that FHLBank's previous month-end capital plus its mandatorily redeemable capital stock on the day it purchases the securities. On March 24, 2008, the Finance Board temporarily increased this limit from 300 percent to 600 percent for certain kinds of mortgage-backed securities under certain conditions. (See "Legislative and Regulatory Developments—Finance Board's Temporary Increase in Authority to Purchase Mortgage-Backed Securities.") The FHLBank of Chicago may include a designated amount of subordinated notes in calculating compliance with these limits. The MPF Shared Funding Program mortgage-backed certificates, however, are not subject to this 300 percent limit.

At September 30, 2008, the FHLBanks did not hold any collateralized debt obligation (CDO) securities.

Mortgage-Backed Securities to Total Capital Ratio
(Dollar amounts in millions)

	September 30, 2008	December 31, 2007	Increase (Decrease)	
			$	%
Mortgage-backed securities	$173,141	$143,513	$29,628	20.6%
Less: MPF Shared Funding Program	407	439	(32)	(7.3)%
Mortgage-backed securities (excluding MPF Shared Funding Program)	$172,734	$143,074	$29,660	20.7%
Total capital (1) and designated amount of applicable subordinated notes	$ 62,977	$ 55,704	$ 7,273	13.1%
Ratio of mortgage-backed securities (excluding MPF Shared Funding Program) to total capital (1) and designated amount of applicable subordinated notes	2.74	2.57		

(1) Represents the sum of total capital and mandatorily redeemable capital stock, which is considered capital for regulatory purposes.

Historically, the FHLBanks have been one of the major providers of Federal funds, allowing the FHLBanks to warehouse and provide balance sheet liquidity to meet unexpected borrowing demands from members. The FHLBanks also invest in U.S. agency obligations, some of which are structured debt issued by other GSEs.

Trading Securities.

Trading Securities
(Dollar amounts in millions)

	September 30, 2008	December 31, 2007
	Estimated Fair Value	Estimated Fair Value
Government-sponsored enterprises*	$6,169	$5,717
Certificates of deposit (1)	801	
State or local housing agency obligations	14	60
Other	10	11
	6,994	5,788
Mortgage-backed securities:		
Other U.S. obligations**	64	74
Government-sponsored enterprises***	778	912
Other****	12	35
	854	1,021
Total	$7,848	$6,809

(1) Represents Certificates of deposit that meet the definition of a security under SFAS 115. (See “Note 1—Summary of Significant Accounting Policies” to the accompanying combined financial statements.)

* Primarily consists of debt securities issued or guaranteed by Freddie Mac and/or Fannie Mae.

** Primarily consists of Ginnie Mae investment pools.

*** Primarily consists of securities issued or guaranteed by Freddie Mac and/or Fannie Mae.

**** Primarily consists of private-label mortgage-backed securities.

Maturity and Yield Characteristics of
Trading Non-Mortgage-Backed Securities
(Dollar amounts in millions)

	September 30, 2008		December 31, 2007	
Year of Maturity	Estimated Fair Value	Yield	Estimated Fair Value	Yield
Non-mortgage-backed securities				
Due in one year or less	$1,621	3.46%	$ 211	4.30%
Due after one year through five years	2,619	4.44%	4,671	4.74%
Due after five years through ten years	2,754	4.69%	881	4.69%
Due after ten years			25	6.72%
Total	$6,994		$5,788	

Available-for-Sale Securities.

Available-for-Sale Securities
(Dollar amounts in millions)

	September 30, 2008			
	Amortized Cost (1)	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Government-sponsored enterprises*	$ 2,620	$ 9	$ (49)	$ 2,580
State and local housing agency obligations	139		(1)	138
Other	419		(14)	405
	3,178	9	(64)	3,123
Mortgage-backed securities:				
Government-sponsored enterprises**	8,090	6	(160)	7,936
Other ***	301		(52)	249
	8,391	6	(212)	8,185
Total	$11,569	$ 15	$(276)	$11,308

	December 31, 2007			
	Amortized Cost (1)	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Government-sponsored enterprises*	$1,324	$ 7	$ (1)	$1,330
Other	408	2	(1)	409
	1,732	9	(2)	1,739
Mortgage-backed securities:				
Government-sponsored enterprises**	3,748	1	(33)	3,716
Other***	376		(18)	358
	4,124	1	(51)	4,074
Total	$5,856	$10	$(53)	$5,813

(1) Amortized cost of available-for-sale securities includes adjustments made to the cost basis of an investment for accretion, amortization, other-than-temporary impairment, and/or hedging.

* Primarily consists of debt securities issued or guaranteed by Freddie Mac, Fannie Mae and/or TVA.

** Primarily consists of securities issued or guaranteed by Freddie Mac and/or Fannie Mae.

*** Primarily consists of private-label mortgage-backed securities.

The $161 million increase in gross unrealized losses on the FHLBanks' available-for-sale mortgage-backed securities from December 31, 2007 to September 30, 2008 is due to continued deterioration in the credit performance of mortgage loans and in house prices, compounded by the effect of forced portfolio liquidations by certain large investors. These factors resulted in temporary illiquidity in portions of the mortgage-backed securities market and extraordinarily wide mortgage asset spreads relative to historical averages. These market disruptions have caused the estimated fair values on mortgage-backed securities owned by the FHLBanks to fall below amortized cost on a large number of individual securities, particularly the private-label mortgage-backed securities.

Each FHLBank evaluates its individual available-for-sale investment securities holdings for other-than-temporary impairment on at least a quarterly basis. See "Critical Accounting Estimates—Other-than-Temporary Impairment for Investment Securities," and "Notes to Combined Financial Statements (Unaudited)—Note 4—Available-for-Sale Securities" for additional information regarding the FHLBanks' processes for evaluating available-for-sale securities for other-than-temporary impairment. As a result of these evaluations and each FHLBank's ability and intent to hold such securities

through the recovery of the unrealized losses, each FHLBank's management believes that it is probable that it will be able to collect all amounts due according to the contractual terms of the individual securities and does not consider its respective investments to be other-than-temporarily impaired at September 30, 2008, except for a certain U.S. agency security held by the FHLBank of Dallas at September 30, 2008 in its available-for-sale portfolio, as further described below.

On October 29, 2008, the FHLBank of Dallas sold a U.S. agency debenture classified as available-for-sale. Proceeds from the sale totaled $56 million, resulting in a realized loss of $1 million. At September 30, 2008, the amortized cost of this asset exceeded its estimated fair value at that date by $2 million. Because the FHLBank of Dallas did not have the intent as of September 30, 2008 to hold this available-for-sale security through to recovery of the unrealized loss, an other-than-temporary impairment was recognized in the third quarter of 2008 to write the security down to its estimated fair value of $57 million as of September 30, 2008. This impairment charge is reported in "Net (losses) gains on available-for-sale securities" in the Combined Statement of Income for the three and nine months ended September 30, 2008.

Events subsequent to September 30, 2008, such as the U.S. Treasury's announcement that it would not use the TARP to purchase MBS instruments, has caused further declines in the fair value of MBS instruments. In addition, if delinquencies and/or default rates on mortgages continue to increase, and/or there is a rapid decline in residential real estate values, the FHLBanks could experience reduced yields or additional losses on their MBS instruments.

Amortized Cost and Estimated Fair Value of Available-for-Sale Securities by Contractual Maturity (Dollar amounts in millions)

Year of Maturity	September 30, 2008		December 31, 2007	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 97	$ 95	$ 697	$ 696
Due after one year through five years	163	166	187	190
Due after five through ten years	1,822	1,804	60	62
Due after ten years	1,096	1,058	788	791
	3,178	3,123	1,732	1,739
Mortgage-backed securities	8,391	8,185	4,124	4,074
Total	$11,569	$11,308	$5,856	$5,813

Expected maturities of certain securities, including mortgage-backed securities, may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment fees.

Maturity and Yield Characteristics of Available-for-Sale Non-Mortgage-Backed Securities

Year of Maturity	September 30, 2008	December 31, 2007
Non-mortgage-backed securities		
Due in one year or less	4.28%	4.48%
Due after one year through five years	4.47%	4.37%
Due after five years through ten years	4.55%	4.83%
Due after ten years	6.23%	6.57%

Held-to-Maturity Securities.

Held-to-Maturity Securities
(Dollar amounts in millions)

	September 30, 2008			
	Amortized Cost (1)	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Commercial paper	$ 3,204	$	$ (1)	$ 3,203
Certificates of deposit and bank notes (2)	27,637		(14)	27,623
Other U.S. obligations*	610	2	(2)	610
Government-sponsored enterprises**	2,022	32	(8)	2,046
State or local housing agency obligations	2,646	21	(93)	2,574
Other	7			7
	36,126	55	(118)	36,063
Mortgage-backed securities:				
Other U.S. obligations*	295	2	(2)	295
Government-sponsored enterprises***	86,384	371	(1,077)	85,678
Other****	77,423	7	(13,470)	63,960
	164,102	380	(14,549)	149,933
Total	$200,228	$435	$(14,667)	$185,996

	December 31, 2007			
	Amortized Cost (1)	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Commercial paper	$ 7,197	$	$	$ 7,197
Certificates of deposit and bank notes (2)	46,642	11		46,653
Other U.S. obligations*	725	7	(1)	731
Government-sponsored enterprises**	1,827	41	(5)	1,863
State or local housing agency obligations	2,917	33	(29)	2,921
Other	92			92
	59,400	92	(35)	59,457
Mortgage-backed securities:				
Other U.S. obligations*	356	3	(2)	357
Government-sponsored enterprises***	50,470	307	(390)	50,387
Other****	87,592	110	(2,126)	85,576
	138,418	420	(2,518)	136,320
Total	$197,818	$512	$(2,553)	$195,777

(1) Amortized cost of held-to-maturity securities includes adjustments made to the cost basis of an investment for accretion, amortization, and/or previous other-than-temporary impairments.

(2) Represents Certificates of deposit and bank notes that meet the definition of a security under SFAS 115. (See "Note 1—Summary of Significant Accounting Policies" to the accompanying combined financial statements.)

* Primarily consists of Ginnie Mae and/or SBA investment pools.

** Primarily consists of debt securities issued or guaranteed by Freddie Mac, Fannie Mae and/or TVA.

*** Primarily consists of securities issued or guaranteed by Freddie Mac and/or Fannie Mae.

**** Primarily consists of private-label mortgage-backed securities.

The $12,031 million increase in gross unrealized losses on the FHLBanks' held-to-maturity mortgage-backed securities from December 31, 2007 to September 30, 2008 is due to continued

deterioration in the credit performance of mortgage loans and in house prices, compounded by the effect of forced portfolio liquidations by certain large investors. These factors resulted in temporary illiquidity in portions of the mortgage-backed securities market and extraordinarily wide mortgage asset spreads relative to historical averages. These market disruptions have caused the estimated fair values on mortgage-backed securities owned by the FHLBanks to fall below amortized cost on a large number of individual securities, particularly the private-label mortgage-backed securities.

Each FHLBank evaluates its individual held-to-maturity investment securities holdings for other-than-temporary impairment on at least a quarterly basis. See "Critical Accounting Estimates—Other-than-Temporary Impairment for Investment Securities," and "Notes to Combined Financial Statements (Unaudited)—Note 5—Held-to-Maturity Securities" for additional information regarding the FHLBanks' processes for evaluating held-to-maturity securities for other-than-temporary impairment. As a result of these evaluations and each FHLBank's ability and intent to hold such securities through the recovery of the unrealized losses, each FHLBank's management believes that it is probable that it will be able to collect all amounts due according to the contractual terms of the individual securities and does not consider its respective investments to be other-than-temporarily impaired at September 30, 2008, except for certain MBS instruments held by the FHLBanks of Atlanta, Chicago and Seattle in their held-to-maturity portfolios, as further described below.

FHLBank of Atlanta. The FHLBank of Atlanta's held-to-maturity portfolio had gross unrealized losses of $2.7 billion at September 30, 2008; 99.98 percent of these unrealized losses related to the FHLBank of Atlanta's MBS portfolio. The FHLBank of Atlanta's held-to-maturity portfolio included $16.5 billion of private-label MBS as of September 30, 2008. Approximately 89 percent of the underlying mortgages collateralizing the private-label MBS were considered prime and the remaining underlying mortgages collateralizing these securities were considered Alt-A, as determined by the originator at the time of origination. None of the underlying mortgages collateralizing the private-label MBS portfolio was considered subprime.

The FHLBank of Atlanta recognized an other-than-temporary impairment charge of $87 million related to three private-label MBS in its held-to-maturity securities portfolio. This other-than-temporary impairment charge is reported in the Combined Statement of Income as "Net realized losses on held-to-maturity securities." These securities impaired in the third quarter of 2008 had a total amortized cost of $289 million and a fair value of $202 million at September 30, 2008. The remainder of the FHLBank of Atlanta's held-to-maturity portfolio that has not been designated as other-than-temporarily impaired has experienced unrealized losses and decreases in fair value due to interest rate volatility, illiquidity in the marketplace, and credit deterioration in the U.S. mortgage markets. This decline in fair value is considered temporary as the FHLBank of Atlanta expects to collect all contractual cash flows and the FHLBank of Atlanta has the ability and intent to hold these investments to maturity. The ability and intent of the FHLBank of Atlanta is demonstrated by the fact that it is well capitalized, has sufficient liquidity and has no need to sell these securities, nor has the FHLBank of Atlanta entered into any contractual constraints that would impact such intent and ability.

FHLBank of Chicago. The FHLBank of Chicago's held-to-maturity portfolio had gross unrealized losses of $821 million at September 30, 2008. This amount does not include $96 million of remaining unrealized losses on securities transferred from the FHLBank of Chicago's available-for-sale securities portfolio on December 27, 2007, because the transfer was recorded at fair value. The original $138 million unrealized loss was recorded in accumulated other comprehensive income (OCI) and is being amortized over the remaining life of the securities as a yield adjustment, offset by the interest income accretion related to the discount on the transferred securities. However, OCI on these securities is recognized immediately into earnings if an impairment charge is realized. In the third quarter and first nine months of 2008, the FHLBank of Chicago recognized $1 million and $23 million from OCI into realized losses on held-to-maturity securities due to other-than-temporary impairment.

The FHLBank of Chicago's held-to-maturity securities portfolio at September 30, 2008 included $4.1 billion of private issue mortgage-backed securities classified in this report as private-label residential MBS ($2.8 billion) and MBS backed by home equity loan investments ($1.3 billion). The majority of

underlying mortgages collateralizing these securities were considered subprime or non-traditional. The FHLBank of Chicago's MBS portfolio had gross unrealized losses of $746 million at September 30, 2008. The FHLBank of Chicago performed an impairment analysis of this portfolio at September 30, 2008 to determine the recoverability of all principal and interest contractually due based on the securities' underlying collateral, delinquency and default rates and expected loss severities. Based on this analysis, the FHLBank of Chicago recognized an other-than-temporary impairment charge of $9 million and $72 million in the three and nine months ended September 30, 2008 related to MBS instruments in its held-to-maturity portfolio, which is reported in the Combined Statement of Income as "Net realized losses on held-to-maturity securities." These securities impaired in the third quarter of 2008 had a total carrying value of $55 million before impairment and a fair value of $46 million at September 30, 2008.

The remainder of the FHLBank of Chicago's held-to-maturity securities portfolio has experienced unrealized losses and a decrease in fair value due to interest rate volatility, illiquidity in the marketplace, and credit deterioration in the U.S. mortgage markets. However, this decline is considered temporary as the FHLBank of Chicago has the intent and ability to hold these investments to maturity and expects to collect all contractual principal and interest.

FHLBank of Seattle. The FHLBank of Seattle's held-to-maturity securities had gross unrealized losses of $1.5 billion at September 30, 2008; 99.96 percent of these unrealized losses related to the FHLBank of Seattle's MBS portfolio. The FHLBank of Seattle's held-to-maturity portfolio included $6 billion of private-label MBS as of September 30, 2008. Approximately 77 percent of the underlying mortgages collateralizing these securities was considered Alt-A and the remaining 23 percent was considered prime. None of the underlying mortgages collateralizing the private-label MBS portfolio was considered subprime.

As of September 30, 2008 and December 31, 2007, the FHLBank of Seattle held $5.2 billion and $6.4 billion in held-to-maturity investments with unrealized losses of $1.2 billion and $109 million that had been in an unrealized loss position for over 12 months. The unrealized losses relating to the FHLBank of Seattle's held-to-maturity investments as of September 30, 2008 and December 31, 2007 were primarily related to declining market values as a result of widening credit spreads and the unfavorable market conditions for mortgage-based products, especially in the third quarter of 2008. Based on the credit quality of the FHLBank of Seattle's securities, the underlying collateral, and additional credit support, together with the FHLBank of Seattle's intent and ability to hold the securities until recovery, which may be at maturity, the FHLBank of Seattle believes that these unrealized losses primarily represent temporary impairments. However, as of September 30, 2008, the FHLBank of Seattle determined that it did not have sufficient persuasive evidence to conclude that the impairment of three private-label mortgage-backed securities was temporary and, accordingly, recognized an other-than-temporary impairment charge of $50 million in the Combined Statement of Income as "Net realized losses on held-to-maturity securities" for the three and nine months ended September 30, 2008. These securities had an amortized cost of $133 million and a fair value of $83 million at the time of impairment.

If the mortgage markets and general business and economic conditions continue to deteriorate, it is possible that the FHLBanks may experience additional other-than-temporary impairment in the value of their MBS investments. For example, events subsequent to September 30, 2008, such as the U.S. Treasury's announcement that it would not use the TARP to purchase MBS instruments, has caused further declines in the fair value of MBS instruments. The FHLBanks could experience reduced yields or additional losses on their MBS instruments and cannot predict when or if such write-downs may occur or the size of any such write-downs if they do occur.

Amortized Cost and Estimated Fair Value of Held-to-Maturity Securities by Contractual Maturity (Dollar amounts in millions)

Year of Maturity	September 30, 2008 Amortized Cost	September 30, 2008 Estimated Fair Value	December 31, 2007 Amortized Cost	December 31, 2007 Estimated Fair Value
Due in one year or less	$ 31,625	$ 31,610	$ 55,039	$ 55,052
Due after one year through five years	1,824	1,859	1,330	1,348
Due after five through ten years	297	295	572	603
Due after ten years	2,380	2,299	2,459	2,454
	36,126	36,063	59,400	59,457
Mortgage-backed securities	164,102	149,933	138,418	136,320
Total	$200,228	$185,996	$197,818	$195,777

Expected maturities of certain securities, including mortgage-backed securities, may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment fees.

Maturity and Yield Characteristics of Held-to-Maturity Non-Mortgage-Backed Securities

Year of Maturity	September 30, 2008	December 31, 2007
Non-mortgage-backed securities		
Due in one year or less	2.88%	4.97%
Due after one year through five years	4.47%	4.72%
Due after five years through ten years	4.97%	5.32%
Due after ten years	3.98%	5.50%

Mortgage Loans Held for Portfolio.

Mortgage Loans Held for Portfolio (Dollar amounts in millions)

	September 30, 2008	Percentage of Total	December 31, 2007	Percentage of Total	(Decrease) Increase $	(Decrease) Increase %
Real Estate:						
Fixed-rate, medium-term* single-family mortgages	$21,594	24.7%	$23,280	25.6%	$(1,686)	(7.2)%
Fixed-rate, long-term single-family mortgages	65,883	75.3%	67,848	74.4%	(1,965)	(2.9)%
Multifamily mortgages	27	0.0%	27	0.0%		0.0%
	87,504	100.0%	91,155	100.0%	(3,651)	(4.0)%
Premiums	543		596		(53)	(8.9)%
Discounts	(268)		(285)		17	6.0%
Deferred loan costs, net	33		37		(4)	(10.8)%
SFAS 133 hedging adjustments	116		115		1	0.9%
Total mortgage loans held for portfolio	$87,928		$91,618		$(3,690)	(4.0)%

* Medium-term is defined as a term of 15 years or less.

In 2008 and 2007, principal paydowns and maturities of mortgage loans held for portfolio have been greater than purchases and fundings of new mortgage loans held for portfolio.

At September 30, 2008, the FHLBanks of Chicago, Des Moines and Indianapolis held the largest percentage of the mortgage loans held for portfolio balance with 37 percent, 12 percent and 10 percent of the combined mortgage loans held for portfolio. No other FHLBank held 10 percent or more of the combined mortgage loans held for portfolio at September 30, 2008. Several FHLBanks have made changes to their mortgage loan program(s) as follows:

- The FHLBank of Seattle, which previously offered the MPP to its members, is no longer accepting additional master commitments in the MPP, completed all of its delivery commitments in 2006 and is not purchasing additional mortgages.
- On October 6, 2006, the FHLBank of San Francisco announced that it would no longer offer new commitments to purchase mortgage loans from its members under the MPF Program, but that it would retain its existing portfolio of mortgage loans. The commitment of the FHLBank of San Francisco to purchase mortgage loans under its last outstanding master commitment expired on February 14, 2007. The FHLBank of San Francisco plans to retain its existing portfolio of MPF loans, which eventually will be reduced to zero in accordance with the ordinary course of maturity of those assets.
- The FHLBank of Atlanta stopped accepting additional MPF master commitments as of February 4, 2008 and as of March 31, 2008, had ceased purchasing assets under the MPF Program. The FHLBank of Atlanta plans to retain its existing portfolio of MPF loans, which eventually will be reduced to zero in accordance with the ordinary course of maturity of those assets. The FHLBank of Atlanta recently determined to suspend new acquisitions of mortgage loans under the MPP. The FHLBank of Atlanta plans to continue to support its existing portfolio of MPP loans.
- In 2007, the FHLBank of Chicago completed its obligations to purchase participation interests under pre-existing agreements with other FHLBanks and no longer enters into agreements to purchase participation interests in new master commitments with other FHLBanks. Effective August 1, 2008, the FHLBank of Chicago no longer purchases mortgage loans as investments for its own balance sheet except for non-material amounts of MPF loans to support affordable housing that are guaranteed by the Rural Housing Service of the Department of Agriculture (RHS) or insured by the Department of Housing and Urban Development (HUD). Mortgage loans purchased from the FHLBank of Chicago's participating financial institutions starting August 1, 2008 are primarily held for investments by other FHLBanks participating in the MPF Program and after November 1, 2008 concurrently sold to Fannie Mae. The other FHLBanks participating in the MPF Program continue to have the ability to purchase and fund loans through the MPF infrastructure.
- On September 23, 2008, the FHLBank of Chicago announced the launch of the MPF Xtra product which provides its members with a new balance sheet mortgage sale alternative. Loans sold to the FHLBank of Chicago through the MPF Xtra product will concurrently be sold to Fannie Mae, as a third party investor, and will not be held on the FHLBank of Chicago's balance sheet. Unlike other MPF products, under the MPF Xtra product PFIs are not required to provide credit enhancement and do not receive credit enhancement fees.

Mortgage Loans Held for Portfolio by Program Types
(Dollar amounts in millions)

	September 30, 2008		December 31, 2007		(Decrease) Increase	
	Amount	Percentage of Total	Amount	Percentage of Total	$	%
MPF, mortgage loans held for portfolio	$64,892	73.8%	$67,273	73.5%	$(2,381)	(3.5)%
MPP, mortgage loans held for portfolio	23,008	26.2%	24,316	26.5%	(1,308)	(5.4)%
Other mortgage loans	28	0.0%	29	0.0%	(1)	(3.4)%
Total mortgage loans held for portfolio	$87,928	100.0%	$91,618	100.0%	$(3,690)	(4.0)%
Allowance for credit losses—MPF	$ 11	91.7%	$ 7	87.5%	$ 4	57.1%
Allowance for credit losses—MPP		0.0%		0.0%		0.0%
Allowance for credit losses—other	1	8.3%	1	12.5%		0.0%
Total allowance for credit losses	$ 12	100.0%	$ 8	100.0%	$ 4	50.0%
MPF, mortgage loans held for portfolio, net	$64,881	73.8%	$67,266	73.4%	$(2,385)	(3.5)%
MPP, mortgage loans held for portfolio, net	23,008	26.2%	24,316	26.6%	(1,308)	(5.4)%
Other mortgage loans, net	27	0.0%	28	0.0%	(1)	(3.6)%
Total mortgage loans held for portfolio, net	$87,916	100.0%	$91,610	100.0%	$(3,694)	(4.0)%

Each of the FHLBanks has either established an appropriate allowance for credit losses for mortgage loan programs or has determined that no loan loss allowance is necessary, and the management of each FHLBank believes that it has the policies and procedures in place to manage appropriately the credit risk on its mortgage loan portfolio.

The "Other mortgage loans, net" balances relate to the Affordable Multifamily Participation Program (AMPP) established by the FHLBank of Atlanta, and the Community Mortgage Asset (CMA) program held by the FHLBank of New York. Through AMPP, members sold to the FHLBank of Atlanta participations in loans on affordable multifamily rental properties. These assets did not carry external credit enhancements. Through the CMA program, the FHLBank of New York participated in residential, multifamily and community economic development mortgage loans originated by its members. The FHLBank of Atlanta ceased acquisitions under AMPP in 2006. The FHLBank of New York suspended acquisitions under the CMA program in 2001.

Mortgage Loans by Loan Type
(Dollar amounts in millions at par value)

	September 30, 2008	Percentage of Total	December 31, 2007	Percentage of Total	Decrease $	Decrease %
Conventional loans	$79,169	90.5%	$82,252	90.2%	$(3,083)	(3.7)%
Government-guaranteed or-insured loans	8,331	9.5%	8,899	9.8%	(568)	(6.4)%
Other loans	4	0.0%	4	0.0%		0.0%
Total par value	$87,504	100.0%	$91,155	100.0%	$(3,651)	(4.0)%

Allowance for Credit Losses on Mortgage Loans
(Dollar amounts in millions)

	September 30, 2008	December 31, 2007
Balance, beginning of period	$ 8	$7
Charge-offs	(1)	
Provision for credit losses	5	1
Balance, end of period	$12	$8

Delinquent mortgage loans and real estate owned as compared to total mortgage loans held for portfolio, net are summarized below.

Delinquent Mortgage Loans and Real Estate Owned
(Dollar amounts in millions)

	September 30, 2008	December 31, 2007
Mortgage loans held for portfolio, net	$87,916	$91,610
Nonperforming mortgage loans held for portfolio (1)	125	86
Mortgage loans held for portfolio past due 30-90 days and still accruing interest (2)	1,556	1,394
Mortgage loans held for portfolio past due 90 days or more and still accruing interest (2)	415	356
Loans in foreclosure	136	115
Real estate owned	48	43

(1) Generally represents conventional mortgage loans with contractual principal or interest payments 90 days or more past due.

(2) Mortgage loans insured or guaranteed by the Federal Housing Administration (FHA), the Department of Veterans Affairs (VA), the RHS and/or HUD.

The FHLBanks' interest contractually due and actually received for nonperforming loans for the nine months ended September 30, 2008 and 2007 are as follows:

Nonperforming Loans Contractual Interest Due and Received
(Dollar amounts in millions)

	For the Nine Months Ended	
	September 30, 2008	September 30, 2007
Interest contractually due during the period	$3.7	$2.0
Interest actually received during the period	2.8	1.2
Shortfall	$0.9	$0.8

Consolidated Obligations.

General. Consolidated obligations issued through the Office of Finance are the principal source of funds used by the FHLBanks to make advances, purchase mortgages and make investments. Consolidated obligations consist of consolidated obligations—bonds and consolidated obligations—discount notes, which differ, among other ways, in their maturities and in some of the intended uses of the funds they provide. An FHLBank is generally prohibited by regulation from purchasing, directly or indirectly, a consolidated obligation as part of the consolidated obligation's initial issuance.

Average Consolidated Obligations Outstanding at Par Value (Dollar amounts in millions)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,		For the Three Months Ended September 30, 2008 vs. 2007 Increase		For the Nine Months Ended September 30, 2008 vs. 2007 Increase	
	2008	2007	2008	2007	$	%	$	%
Overnight consolidated obligations—discount notes	$ 34,774	$ 29,417	$ 38,352	$ 27,083	$ 5,357	18.2%	$ 11,269	41.6%
Term consolidated obligations—discount notes	349,561	180,160	342,078	147,136	169,401	94.0%	194,942	132.5%
Total consolidated obligations—discount notes	384,335	209,577	380,430	174,219	174,758	83.4%	206,211	118.4%
Consolidated obligations—bonds	879,571	822,307	852,857	799,950	57,264	7.0%	52,907	6.6%
Total consolidated obligations—bonds	$1,263,906	$1,031,884	$1,233,287	$974,169	$232,022	22.5%	$259,118	26.6%

Consolidated Obligations Outstanding (Dollar amounts in millions)

	September 30, 2008		December 31, 2007	
	Amount	Percentage of Total Consolidated Obligations, Net	Amount	Percentage of Total Consolidated Obligations, Net
Consolidated obligations—Discount notes	$ 446,820	33.8%	$ 376,342	31.9%
Consolidated obligations—Bonds	876,002	66.2%	802,574	68.1%
Total consolidated obligations, net	$1,322,822	100.0%	$1,178,916	100.0%

The $143.9 billion increase in total consolidated obligations from December 31, 2007 to September 30, 2008, primarily relates to the $70.5 billion increase in consolidated obligations—discount notes and the $112.9 billion increase in consolidated obligations—bonds maturing in one year or less, which are offset by decreases in long-term consolidated obligations—bonds.

Consolidated Obligations—Bonds Outstanding by Year of Contractual Maturity (Dollar amounts in millions)

	September 30, 2008		December 31, 2007		
Year of Contractual Maturity	Amount	Weighted-Average Interest Rate	Amount	Weighted-Average Interest Rate	Increase (Decrease) $
Due in 1 year or less	$400,691	3.00%	$287,781	4.51%	$112,910
Due after 1 year through 2 years	156,277	3.58%	176,493	4.71%	(20,216)
Due after 2 years through 3 years	77,169	4.05%	82,969	4.67%	(5,800)
Due after 3 years through 4 years	42,792	4.77%	49,500	5.02%	(6,708)
Due after 4 years through 5 years	69,415	4.40%	51,812	5.08%	17,603
Thereafter	124,899	5.15%	151,887	5.10%	(26,988)
Index amortizing notes	7,678	5.02%	7,835	5.02%	(157)
Total par value	878,921	3.72%	808,277	4.75%	$ 70,644
Premiums	696		395		
Discounts	(4,944)		(8,894)		
SFAS 133 hedging adjustments	1,566		2,801		
SFAS 159 valuation adjustments	(237)				
Subtotal	876,002		802,579		
Bonds held in treasury			(5)		
Total	$876,002		$802,574		

Par Value of Consolidated Obligations—Bonds Outstanding by Year of Contractual Maturity or Next Call Date (Dollar amounts in millions)

Year of Contractual Maturity or Next Call Date	September 30, 2008	December 31, 2007
Due in 1 year or less	$538,889	$489,504
Due after 1 year through 2 years	159,546	149,459
Due after 2 years through 3 years	60,259	55,577
Due after 3 years through 4 years	21,021	27,096
Due after 4 years through 5 years	34,043	17,549
Thereafter	57,485	61,257
Index amortizing notes	7,678	7,835
Total par value	$878,921	$808,277

Par Value of Consolidated Obligations—Bonds Outstanding by Redemption Feature (Dollar amounts in millions)

Par amount of consolidated obligations—bonds	September 30, 2008	December 31, 2007
Noncallable/nonputable	$675,912	$496,085
Callable	203,009	312,192
Total par value	$878,921	$808,277

Par Value of Consolidated Obligations—Bonds Outstanding (1)
by Payment Terms
(Dollar amounts in millions)

	September 30, 2008		December 31, 2007	
	Amount	Percentage of Total	Amount	Percentage of Total
Fixed-rate, noncallable	$431,053	49.0%	$358,962	44.2%
Fixed-rate, callable	193,560	22.0%	290,062	35.8%
Single-index, non-capped variable-rate	229,571	26.1%	106,200	13.1%
Amortizing prepayment linked securities	7,941	0.9%	8,142	1.0%
Step-up / step-down	6,403	0.7%	26,272	3.2%
Zero-coupon, callable	5,824	0.7%	11,004	1.4%
Range variable-rate	3,717	0.4%	5,930	0.7%
Conversion	645	0.1%	1,632	0.2%
Capped variable-rate	580	0.1%	2,476	0.3%
Other	263	0.0%	674	0.1%
Total	$879,557	100.0%	$811,354	100.0%

(1) Consolidated obligations—bonds outstanding have not been adjusted for interbank holdings of consolidated obligations—bonds totaling $636 million at September 30, 2008 and $3,077 million at December 31, 2007.

Consolidated obligations—bonds issued through the Office of Finance often have investor-determined features. The decision to issue a consolidated obligations—bond using a particular structure is based upon the desired amount of funding and the ability of the FHLBank(s) receiving the proceeds of the consolidated obligations—bonds issued to hedge the risks. The issuance of a consolidated obligations—bond with a simultaneously-transacted associated interest-rate exchange agreement usually results in a funding vehicle with a lower cost than the FHLBanks could otherwise achieve. The continued attractiveness of such debt/swap transactions depends on price relationships in both the consolidated obligations—bond and interest-rate exchange markets. If conditions in these markets change, the FHLBanks may alter the types or terms of the bonds issued. The increase in funding alternatives available to the FHLBanks through negotiated debt/swap transactions is beneficial to the FHLBanks because it:

- diversifies the investor base;
- reduces funding costs; and
- provides additional asset/liability management tools.

Consolidated Obligations—Discount Notes. Consolidated obligations—discount notes are issued primarily to provide short-term funds. The issuance of such consolidated obligations—discount notes is intended to satisfy, for example:

- advances with short-term maturities or repricing intervals;
- convertible advances or callable/putable advance programs;
- variable-rate advance programs; or
- money-market investments.

These consolidated obligations—discount notes presently have a maturity range of one day through one year. They are sold at a discount and mature at par.

Debt Financing Activity. The growth in the FHLBanks' assets at September 30, 2008, compared to December 31, 2007, was primarily financed by a 12.2 percent increase in consolidated obligations of $144 billion.

Historically, the FHLBanks have had diversified sources and channels of funding as the need for funding from the capital markets has grown. The Global Debt Program issued $216.6 billion and $192.4 billion at par in term funds during the first nine months of 2008 and 2007. The TAP Issue Program consolidates the issuance through daily auctions of domestic bullet consolidated obligations—bonds of common maturities by re-opening previously issued consolidated obligations—bonds. TAP issues generally remain open for three months, after which they are closed and a new series of TAP issues is opened to replace them. This program has reduced the number of separate bullet consolidated obligations—bonds issued, but more importantly has enhanced market awareness through increased issue size, secondary market activity, and utility, while providing enhanced funding diversification for the FHLBanks. Through this program, the Office of Finance seeks to enhance the liquidity of these issues. During the first nine months of 2008, $39.0 billion of consolidated obligations—bonds were issued through the TAP Issue Program. This represents an increase of $9.1 billion over the first nine months of 2007.

Consolidated obligations—bonds can be negotiated individually or auctioned competitively through approximately 100 underwriters. Consolidated obligations—bonds offered daily via auction include fixed-rate bullets (through the TAP Issue Program discussed above) and American-style callables. Underwriters may contact the Office of Finance if there is a structure/dollar target they need to meet investor demand, although many times they negotiate directly with the FHLBanks. Competitively-bid transactions are generally initiated by an FHLBank funding need of a particular structure and size. Dealers are invited to bid and the trade is executed.

	Percent of Total Consolidated Obligations— Bonds Issued During Three Months Ended September 30,		Percent of Total Consolidated Obligations— Bonds Issued During Nine Months Ended September 30,	
	2008	2007	2008	2007
Negotiated transactions	90.66%	88.23%	84.69%	85.05%
Competitive bid	9.34%	11.77%	15.31%	14.95%
Total	100.00%	100.00%	100.00%	100.00%

	Percent of Total Consolidated Obligations— Bonds Issued During Three Months Ended September 30,		Percent of Total Consolidated Obligations— Bonds Issued During Nine Months Ended September 30,	
	2008	2007	2008	2007
Fixed-rate, fixed-term, noncallable (bullet)	40.96%	29.26%	40.72%	32.06%
Fixed-rate, callable	14.37%	29.96%	25.86%	49.77%
Single-index, variable-rate	43.99%	38.58%	32.01%	16.62%
Step-up/step-down	0.61%	0.22%	0.69%	0.47%
Other	0.07%	1.98%	0.72%	1.08%
Total	100.00%	100.00%	100.00%	100.00%

**Par Value of Consolidated Obligations—
Discount Notes and Consolidated Obligations—
Bonds Issued
(Dollar amounts in millions)**

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2008	2007	2008	2007
Consolidated obligations—Discount notes	$2,991,935	$2,369,302	$9,308,773	$6,233,220
Consolidated obligations—Bonds	$ 105,782	$ 107,172	$ 492,648	$ 342,596

The increase in consolidated obligations—discount notes outstanding relates primarily to the continued effects of the turbulence in the credit markets that began during the third quarter of 2007, which resulted in members significantly increasing their level of borrowings from the FHLBanks. During the early stages of the credit crisis, many investors viewed the FHLBanks' consolidated obligations as a "safe haven" during the market turmoil, which resulted in periodic improvements in funding costs for consolidated obligations relative to LIBOR. In recent months, increasing investor uncertainty has shifted investment demand to very short-term investments, such as consolidated obligations—discount notes and consolidated obligations—bonds with maturities of one year or less. This demand has resulted in a steepening of the FHLBank funding curve as measured relative to LIBOR, whereby longer-term instruments are priced at significantly higher costs than shorter-term instruments. The increase in consolidated obligations—bonds issued at par value occurred primarily because of the increase in consolidated obligations—bond calls/maturities during the first nine months of 2008 as interest rates declined and the increase in debt outstanding. The FHLBanks make use of callable debt. At September 30, 2008, $203.2 billion of callable debt at par was outstanding (excluding an interbank holding adjustment of $147 million). At September 30, 2008, callable consolidated obligations—bonds represented 23.1 percent of total consolidated obligations—bonds outstanding at par. This percentage has declined in 2008, reflecting, in part, less domestic bank demand for callable consolidated obligations—bonds. (See "Financial Trends" for additional discussion.)

Consolidated obligations—discount notes accounted for 95.0 percent of the proceeds from the issuance of consolidated obligations during the first nine months of 2008, compared to 94.8 percent of the proceeds from the issuance of consolidated obligations during the first nine months of 2007. Much of the consolidated obligations—discount note activity reflects the refinancing of overnight discount notes.

Deposits. At September 30, 2008, deposits totaled $27,091 million, an increase of $6,198 million or 29.7 percent from December 31, 2007.

The following table presents term deposits issued in amounts of $100,000 or more at September 30, 2008 (dollar amounts in millions):

	September 30, 2008
3 months or less	$1,436
Over 3 months through 6 months	101
Over 6 months through 12 months	18
Over 12 months	36
Total	$1,591

Capital.

Total Capital
(Dollar amounts in millions)

September 30, 2008	December 31, 2007	Increase $	Increase %
$57,061	$53,597	$3,464	6.5%

The increase in total capital was due primarily to the increase in total capital stock attributable to:

- the $24.5 billion of net proceeds from the sale of capital stock as a result of increases in advances, partially offset by
- the $16.2 billion of repurchase/redemption of capital stock and $5.6 billion of reclassification of capital stock as mandatorily redeemable capital stock during the first nine months of 2008.

Over the same period, total assets increased more than total capital. This caused the FHLBanks' combined GAAP capital-to-assets ratio to decrease to 3.99 percent at September 30, 2008, from 4.21 percent at December 31, 2007. The FHLBanks' combined regulatory capital-to-assets ratio increased to 4.44 percent at September 30, 2008, from 4.41 percent at December 31, 2007. All FHLBanks except the FHLBank of Chicago have converted to their new capital plans at September 30, 2008.

Results of Operations

The combined financial statements include the financial records of the 12 FHLBanks. Material transactions among the FHLBanks have been eliminated in accordance with combination accounting principles under GAAP, including Accounting Research Bulletin No. 51, *Consolidated Financial Statements.* (See discussions relating to "Interbank Transfers of Liability on Outstanding Consolidated Obligations—Bonds and Their Effect on Combined Net Income" at the end of this section and Note 1 to the accompanying combined financial statements.)

Net Interest Income.

Changes in Net Interest Income
(Dollar amounts in millions)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,		For the Three Months Ended September 30, 2008 vs. 2007 (Decrease) Increase		For the Nine Months Ended September 30, 2008 vs. 2007 (Decrease) Increase	
	2008	2007	2008	2007	$	%	$	%
INTEREST INCOME								
Advances	$ 6,769	$ 9,733	$22,559	$26,553	$(2,964)	(30.5)%	$(3,994)	(15.0)%
Prepayment (credits) fees on advances	(7)	5	60	21	(12)	(240.0)%	39	185.7%
Mortgage loans held for portfolio	1,122	1,202	3,408	3,664	(80)	(6.7)%	(256)	(7.0)%
Investments and other	2,889	3,817	8,919	10,984	(928)	(24.3)%	(2,065)	(18.8)%
Total interest income	10,773	14,757	34,946	41,222	(3,984)	(27.0)%	(6,276)	(15.2)%
INTEREST EXPENSE								
Consolidated obligations	9,209	13,263	30,462	37,033	(4,054)	(30.6)%	(6,571)	(17.7)%
Other	142	314	523	935	(172)	(54.8)%	(412)	(44.1)%
Total interest expense	9,351	13,577	30,985	37,968	(4,226)	(31.1)%	(6,983)	(18.4)%
NET INTEREST INCOME	$ 1,422	$ 1,180	$ 3,961	$ 3,254	$ 242	20.5%	$ 707	21.7%

Net interest income increased in the third quarter and first nine months of 2008 compared to the third quarter and first nine months of 2007, as decreases in consolidated obligation interest expense due to the decline in interest rates were higher than the decreases in advances and investments interest income. Although the decline in interest rates caused an overall decrease in interest income and interest expense, volumes on advances, investments and consolidated obligations were higher in the third quarter and first nine months of 2008 compared to the third quarter and first nine months of 2007

The decrease in interest income on mortgage loans held for portfolio from the third quarter and first nine months of 2007 compared to the third quarter and first nine months of 2008 related primarily to the lower volume of outstanding mortgage loans held for portfolio, but was also affected by lower interest rates.

Earnings Analysis.

The following table presents average balances and yields of major categories of earning assets and the funding sources for those earning assets. It also presents spreads between yields on total earning assets and the cost of interest-bearing liabilities and spreads between yields on total earning assets and the cost of total funding sources (i.e., interest-bearing liabilities, plus capital, plus other interest-free liabilities funding earning assets). The primary source of FHLBank earnings is net interest income. This is the interest earned on advances, mortgages, investments and invested capital, *minus* interest paid on consolidated obligations, deposits and other borrowings.

Spread and Yield Analysis
(Dollar amounts in millions)

	For the Three Months Ended					
	September 30, 2008			September 30, 2007		
	Average Balance (1)	Interest (2)	Annualized Yield	Average Balance (1)	Interest (2)	Annualized Yield
Earning assets:						
Advances (3)	$ 943,525	$ 6,762	2.85%	$ 715,243	$ 9,738	5.40%
Mortgage loans held for portfolio	88,356	1,122	5.05%	93,561	1,202	5.10%
Investments:						
Interest-bearing deposits and other	1,702	10	2.34%	390	6	6.10%
Securities purchased under agreements to resell	1,984	12	2.41%	1,508	19	5.00%
Federal funds sold	78,904	436	2.20%	92,255	1,223	5.26%
Trading securities	8,923	111	4.95%	5,892	83	5.59%
Available-for-sale securities (4)	11,096	88	3.16%	7,652	104	5.39%
Held-to-maturity securities	213,597	2,232	4.16%	181,210	2,382	5.22%
Total investments	316,206	2,889	3.63%	288,907	3,817	5.24%
Total earning assets	$1,348,087	$10,773	3.18%	$1,097,711	$14,757	5.33%
Funded by:						
Consolidated obligations:						
Discount notes	$ 383,035	$ 2,257	2.34%	$ 212,008	$ 2,725	5.10%
Bonds	875,901	6,952	3.16%	808,296	10,538	5.17%
Interest-bearing deposits and other borrowings (5)	24,729	142	2.28%	23,563	314	5.29%
Total interest-bearing liabilities	1,283,665	9,351	2.90%	1,043,867	13,577	5.16%
Capital and other non-interest-bearing funds	64,422			53,844		
Total funding	$1,348,087	$ 9,351	2.76%	$1,097,711	$13,577	4.91%
Spread on:						
Total interest-bearing liabilities			0.28%			0.17%
Total funding (net interest margin) (6)			0.42%			0.42%

(1) Average balances do not reflect the effect of reclassifications of cash collateral under FSP No. FIN 39-1, *Amendment of FASB Interpretation No. 39* (FSP FIN 39-1).

(2) Interest income/expense and annualized yield include the effect of associated interest-rate exchange agreements that qualify for fair-value hedge accounting under SFAS 133.

(3) Interest income for advances includes prepayment (credits) fees on advances, net.

(4) The average balances of available-for-sale securities are reflected at amortized cost; therefore, the resulting yields do not give effect to changes in fair value.

(5) The average balances do not include non-interest-bearing deposits and include mandatorily redeemable capital stock and subordinated notes balances and related interest expenses.

(6) Net interest margin is net interest income before provision (reversal) for credit losses as a percentage of average earning assets.

Spread and Yield Analysis (continued)
(Dollar amounts in millions)

	For the Nine Months Ended					
	September 30, 2008			September 30, 2007		
	Average Balance (1)	Interest (2)	Annualized Yield	Average Balance (1)	Interest (2)	Annualized Yield
Earning assets:						
Advances (3)	$ 919,758	$22,619	3.28%	$ 660,764	$26,574	5.38%
Mortgage loans held for portfolio	89,710	3,408	5.07%	95,213	3,664	5.15%
Investments:						
Interest-bearing deposits and other	2,975	62	2.78%	331	16	6.46%
Securities purchased under agreements to resell	1,658	34	2.74%	2,834	112	5.28%
Federal funds sold	80,689	1,596	2.64%	87,834	3,485	5.30%
Trading securities	8,323	318	5.10%	5,779	246	5.69%
Available-for-sale securities (4)	9,090	230	3.38%	7,042	278	5.28%
Held-to-maturity securities	207,162	6,679	4.31%	175,937	6,847	5.20%
Total investments	309,897	8,919	3.84%	279,757	10,984	5.25%
Total earning assets	$1,319,365	$34,946	3.54%	$1,035,734	$41,222	5.32%
Funded by:						
Consolidated obligations:						
Discount notes	$ 379,235	$ 7,872	2.77%	$ 175,291	$ 6,787	5.18%
Bonds	848,824	22,590	3.55%	785,914	30,246	5.15%
Interest-bearing deposits and other borrowings (5)	26,002	523	2.69%	23,383	935	5.35%
Total interest-bearing liabilities	1,254,061	30,985	3.30%	984,588	37,968	5.16%
Capital and other non-interest-bearing funds	65,304			51,146		
Total funding	$1,319,365	$30,985	3.14%	$1,035,734	$37,968	4.90%
Spread on:						
Total interest-bearing liabilities			0.24%			0.16%
Total funding (net interest margin) (6)			0.40%			0.42%

(1) Average balances do not reflect the effect of reclassifications of cash collateral under FSP No. FIN 39-1, *Amendment of FASB Interpretation No. 39* (FSP FIN 39-1).

(2) Interest income/expense and annualized yield include the effect of associated interest-rate exchange agreements that qualify for fair-value hedge accounting under SFAS 133.

(3) Interest income for advances includes prepayment (credits) fees on advances, net.

(4) The average balances of available-for-sale securities are reflected at amortized cost; therefore, the resulting yields do not give effect to changes in fair value.

(5) The average balances do not include non-interest-bearing deposits and include mandatorily redeemable capital stock and subordinated notes balances and related interest expenses.

(6) Net interest margin is net interest income before provision (reversal) for credit losses as a percentage of average earning assets.

A significant portion of net interest income results from earnings on assets funded by invested capital. This source of net interest income increased primarily due to the increase in capital stock related to advance activities during the third quarter and first nine months of 2008 over the same periods in 2007. During the third quarter of 2008, at the combined level, the spread between asset yields and interest-bearing liabilities increased 11 basis points and the net interest margin remained unchanged. During the first nine months of 2008, at the combined level, the spread between asset yields and interest-bearing liabilities increased 8 basis points and the net interest margin decreased 2 basis points. During the first

nine months of 2008, some FHLBanks experienced an increase in the net interest margin and spread, while other FHLBanks experienced a decrease in the net interest margin and spread.

Items that increased the net interest margin and spread for the three-month and nine-month periods ended September 30, 2008, compared to the corresponding periods in the prior year, included an increase in the volume of advances, a reduction in the average funding costs of consolidated obligations—discount notes relative to the yield of assets with comparable terms (e.g., advances and money market investments), the reinvestment of proceeds from maturing low-yield investments into higher-yield, market-rate investments and increases in prepayment fee income. In addition, higher net interest spreads on both the FHLBanks' mortgage portfolios and non-MBS investments generally increased the FHLBanks' spreads. Items that decreased the net interest margin and spread included a sharp increase in long-term funding costs, a general decline in short-term interest rates between periods, an increase in the recognition of unamortized non-cash items associated with calling an increased amount of consolidated obligation—bonds in the third quarter and first nine months of 2008, the effect of interest rate volatility on the FHLBanks' derivative and hedging activities and the maturity of low-cost debt that was issued to fund low interest rate mortgages and the replacement of such mortgages at lower net spreads. For additional discussion related to an individual FHLBank's third quarter and first nine months 2008 change in net interest margin and spread, please refer to that FHLBank's periodic report filed with the SEC.

The net interest margin and spread between total earning assets and total interest-bearing liabilities are affected by the inclusion or exclusion of net interest income/expense associated with the FHLBanks' interest-rate exchange agreements. For example, if the interest-rate exchange agreements qualify for fair value hedge accounting under SFAS 133, the net interest income/expense associated with the derivative is included in the calculation of the spread between total earning assets and total interest-bearing liabilities and net interest margin. If the interest-rate exchange agreements do not qualify for fair value hedge accounting under SFAS 133 (economic hedges) or if the FHLBanks have not designated it in such a qualifying hedge relationship, the net interest income/expense associated with the interest-rate exchange agreements is excluded from the calculation of the spread between total earning assets and total interest-bearing liabilities and net interest margin.

During the third quarter and first nine months of 2008, the growth in consolidated obligations outstanding continued. Issuance of consolidated obligations was 25 percent higher during the third quarter and 49 percent higher during the first nine months than the corresponding periods in the previous year. Consolidated obligations outstanding at par were $181.3 billion higher on September 30, 2008 compared to September 30, 2007; consolidated obligations—bonds outstanding at par increased by $43.7 billion and consolidated obligations—discount notes outstanding at par increased by $137.6 billion. Aggregate weighted-average new-issue funding costs for FHLBank consolidated obligations—bonds increased relative to benchmark market indices for the third quarter of 2008 compared to the third quarter of 2007, but improved slightly for the first nine months of 2008 compared to the corresponding period in 2007.

During the third quarter of 2007, long-term yields for U.S. Treasury securities remained above yields for short-term securities, a trend that began during the second quarter of 2007. This condition intensified in 2008, such that the yield curve steepened and spreads between short-term and longer-term securities increased. However, this trend was most pronounced during the first quarter of 2008 and declined in the second and third quarters of 2008. Yields on U.S. Treasury securities continued to fall during the third quarter of 2008, reversing a trend that began during the first part of the year.

During the third quarter and first nine months of 2008, 14 percent and 26 percent of the FHLBank consolidated obligations—bonds issued were callable, compared to 30 percent and 50 percent during the corresponding periods in 2007. Bullet consolidated obligations—bonds and floating rate consolidated obligations—bonds became more prominent funding vehicles in 2008. In the third quarter of 2008, floating rate consolidated obligations—bonds were the dominant funding vehicle, accounting for 44 percent of consolidated obligations—bonds issuance, compared to 39 percent during the third quarter of 2007. During the first nine months of 2008, bullet consolidated obligations—bonds comprised

41 percent of consolidated obligations—bonds issuance while floating rate consolidated obligations—bonds made up 32 percent of consolidated obligations—bonds issuance, compared to 32 percent of consolidated obligations—bonds issuance and 17 percent of consolidated obligations—bonds issuance during the first nine months of 2007.

The dollar amount of callable FHLBank consolidated obligations—bonds redeemed prior to maturity (called) during the third quarter of 2008 was slightly lower than during the third quarter of 2007. However, during the first nine months of 2008, the amount of FHLBank consolidated obligations—bonds called was almost twice that of the corresponding period in 2007. FHLBank consolidated obligations—bond call volume increased sharply beginning in the fourth quarter of 2007 as market interest rates declined, and call volume accelerated during the first half of 2008. The dollar volume of FHLBank consolidated obligations—bonds called during the third quarter of 2008, however, was substantially lower than during the first two quarters of the year.

Changes in both volume and interest rates have a direct influence on changes in net interest income and net interest margin. The following table summarizes changes in interest income and interest expense between the three and nine months ended September 30, 2008 and the three and nine months ended September 30, 2007. Changes in interest income and interest expense not identifiable as either volume-related or rate-related, but rather equally attributable to both volume and rate changes, have been allocated to the volume and rate categories based upon the proportion of the absolute value of the volume and rate changes.

Rate and Volume Analysis
(Dollar amounts in millions)

	For the Three Months Ended September 30, 2008 vs. 2007			For the Nine Months Ended September 30, 2008 vs. 2007		
	Increase (Decrease) Due to			Increase (Decrease) Due to		
	Volume	Rate	Total	Volume	Rate	Total
Interest Income:						
Advances (1)	$2,515	$(5,491)	$(2,976)	$8,384	$(12,339)	$(3,955)
Mortgage loans held for portfolio	(66)	(14)	(80)	(210)	(46)	(256)
Investments	335	(1,263)	(928)	1,093	(3,158)	(2,065)
Total interest income	2,784	(6,768)	(3,984)	9,267	(15,543)	(6,276)
Interest Expense:						
Consolidated obligations	2,629	(6,683)	(4,054)	8,677	(15,248)	(6,571)
Deposits and other borrowings (2)(3)	15	(187)	(172)	95	(507)	(412)
Total interest expense	2,644	(6,870)	(4,226)	8,772	(15,755)	(6,983)
Changes in net interest income	$ 140	$ 102	$ 242	$ 495	$ 212	$ 707

(1) Includes prepayment fees on advances, net.

(2) Average balances used for this calculation do not reflect the effect of reclassifications of cash collateral under FSP FIN 39-1.

(3) Calculations do not include the average balances of non-interest-bearing deposits and include cash and stock dividends on mandatorily redeemable capital stock as interest expense. Calculations also include the average balances of subordinated notes and related interest expense.

Net Income.

Changes in Net Income
(Dollar amounts in millions)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,		For the Three Months Ended September 30, 2008 vs. 2007 Increase (Decrease)	For the Nine Months September 30, 2008 vs. 2007 Increase (Decrease)
	2008	2007	2008	2007	$	$
NET INTEREST INCOME AFTER PROVISION (REVERSAL) FOR CREDIT LOSSES	$1,418	$1,181	$3,954	$3,253	$ 237	$ 701
OTHER (LOSS) INCOME						
Net gains (losses) on trading securities	11	124	(121)	34	(113)	(155)
Net realized losses on held-to-maturity securities	(146)	(2)	(207)	(6)	(144)	(201)
Net gains on advances and consolidated obligations—bonds held at fair value	102		148		102	148
Net losses on derivatives and hedging activities	(262)	(124)	(282)	(46)	(138)	(236)
Other	13	9	28	36	4	(8)
Total other (loss) income	(282)	7	(434)	18	(289)	(452)
Total other expense	455	189	855	572	266	283
Total assessments	175	267	744	718	(92)	26
NET INCOME	$ 506	$ 732	$1,921	$1,981	$(226)	$ (60)

Combined net income for the three months ended September 30, 2008 was $506 million, a 30.9 percent decrease from the $732 million recorded in the same period of the previous year. Combined net income for the nine months ended September 30, 2008 was $1.921 billion, a 3.0 percent decrease from the $1.981 billion recorded in the same period of the previous year. The decrease in net income for the three and nine months ended September 30, 2008 compared to the same periods during 2007 can be primarily attributed to the increases in net losses on derivatives and hedging activities, the increases in net losses on securities, and the provision for derivative counterparty credit losses due from LBSF (included in Total other expense in the table noted above), which were partially offset by the increases in net interest income and the net gains on advances and consolidated obligations—bonds held at fair value.

Combined net income for the three months ended September 30, 2008 was adversely affected by the FHLBank of Atlanta's net loss of $46 million, which was primarily due to the FHLBank of Atlanta's establishment of a $170 million reserve for derivative counterparty credit losses related to its LBSF receivable and its recording of an other-than-temporary impairment charge of $87 million on its held-to-maturity private-label MBS. Combined net income for the three months ended September 30, 2008 was also adversely affected by the FHLBank of Seattle's net loss of $19 million, which was primarily due to a $50 million other-than-temporary impairment charge on the FHLBank of Seattle's held-to-maturity private-label MBS, a $4 million net loss on the termination of derivative contracts with LBSF and $3 million net realized losses on debt retirements.

Combined net income for the nine months ended September 30, 2008 was adversely affected by the FHLBank of Chicago's net loss of $119 million during this period. The FHLBank of Chicago's net loss

was due primarily to an other-than-temporary impairment charge of $72 million on certain held-to-maturity private-label MBS primarily collateralized by first lien mortgages to subprime borrowers.

See “Provision for Derivative Counterparty Credit Losses” within this section for detail discussions relating to LBSF.

Other (Loss) Income. The change in total other (loss) income for the third quarter of 2008 compared to the third quarter of 2007 relates primarily to the net losses on derivatives and hedging activities and the net realized losses on held-to-maturity securities, which are partially offset by the net gains on advances and consolidated obligations-bonds held at fair value. The change in total other (loss) income for the first nine months of 2008 compared to the first nine months of 2007 relates primarily to the net losses on derivatives and hedging activities, the net realized losses on held-to-maturity securities and the net losses on trading securities, which are partially offset by the net gains on advances and consolidated obligations—bonds held at fair value.

During the third quarter and the first nine months of 2008, other (loss) income was negatively affected by other-than-temporary impairment charges on certain available-for-sale and held-to-maturity securities. The FHLBank of Dallas recognized other-than-temporary impairment on its available-for-sale securities portfolio of $2 million for both the three and nine months ended September 30, 2008. The FHLBank of Atlanta recognized other-than-temporary impairment on its held-to-maturity private-label mortgage-backed securities of $87 million for the three and nine months ended September 30, 2008. The FHLBank of Chicago recognized other-than-temporary impairments on its held-to-maturity private-label mortgage-backed securities of $9 million and $72 million for the three and nine months ended September 30, 2008. The FHLBank of Seattle recognized an other-than-temporary impairment charge on its held-to-maturity private-label mortgage-backed securities of $50 million for the three months and nine months ended September 30, 2008. For additional information on other-than-temporary impairment evaluations by the FHLBanks, please refer to each individual FHLBank’s periodic report filed with the SEC.

Under SFAS 133, the FHLBanks are required to carry all of their derivative instruments on the statement of condition at fair value. If derivatives meet the hedging criteria, including effectiveness measures, as specified in SFAS 133, changes in fair value of the associated hedged instruments attributable to the risk being hedged (e.g., benchmark interest rate risk) may also be recorded so that some or all of the unrealized gains or losses recognized on the derivatives are offset by corresponding unrealized gains or losses on the associated hedged instruments. The unrealized gains or losses on the “ineffective” portion of all hedges, which represents the amounts by which the changes in the fair value of the derivatives differ from the changes in the values of the hedged items or the variability in the cash flows of the forecasted transactions, are recognized in current period earnings. In addition, certain derivatives are associated with assets or liabilities but do not qualify as fair value or cash flow hedges under SFAS 133. These economic hedges are recorded on the statement of condition at fair value with the unrealized gains or losses recognized in current period earnings without any offsetting unrealized gains or losses from the associated asset or liability.

Upon adoption of SFAS 159, the FHLBank of San Francisco elected to carry certain existing and newly acquired advances and certain consolidated obligations—bonds at fair value. The FHLBanks of New York and Chicago elected the fair value option for certain newly acquired financial assets and/or financial liabilities during the three months ended September 30, 2008. The FHLBanks of New York, Chicago and San Francisco recognize changes in the unrealized gains and losses on these assets and liabilities in current period earnings. In general, transactions for which the fair value option has been elected in accordance with SFAS 159 are in economic hedge relationships.

In general, derivatives and associated hedged instruments, and certain assets and liabilities that are carried at fair value, are held to the maturity, call, or put date. Therefore, for these financial instruments, nearly all of the cumulative net gains and losses that are unrealized gains or losses are primarily a matter of timing and will generally reverse over the remaining contractual terms of the hedged financial instrument, associated interest rate exchange agreement, or financial instrument carried at fair value. However, there may be instances in which these instruments are terminated prior to maturity or prior to

the call or put dates. Terminating the financial instrument or hedging relationship may result in a realized gain or loss. In addition, the FHLBanks may have instances in which they may sell trading securities prior to maturity, which may also result in a realized gain or loss.

Hedge ineffectiveness occurs when changes in the fair value of the derivative and the related hedged item do not perfectly offset each other. Hedge ineffectiveness is driven by changes in the benchmark interest rate and volatility. As the benchmark interest rate changes and the magnitude of that change intensifies, so will the effect on the FHLBanks' net gains (losses) on derivatives and hedging activities. Additionally, volatility in the marketplace may intensify this effect.

The increase in net losses on derivatives and hedging activities in the third quarter of 2008 relative to the prior-year period primarily reflected dramatic increases in short-term interest rates toward the end of the third quarter of 2008. Net losses on derivatives and hedging activities were also affected by the changes in consolidated obligation rates and spreads to LIBOR and higher net interest expense on derivative instruments used in economic hedges in the third quarter of 2008 relative to the third quarter of 2007. The resulting negative fair value effect experienced in the third quarter of 2008 resulted primarily in net unrealized losses related to hedge ineffectiveness. These losses are generally expected to reverse over the remaining term to maturity through changes in future valuations and settlements of contractual interest cash flows. Unwinding of the derivative transactions between LBSF and FHLBanks resulted in $343 million of net gains on derivatives and hedging activities for the three and nine months ended September 30, 2008.

Effect of Hedging, Trading Securities Activities and Fair Value Measurements on Earnings by Product
(Dollar amounts in millions)

Earnings Effect for the Three Months Ended September 30, 2008	Advances	Investments	MPF/ MPP Loans	COs- Bonds	COs- Discount Notes	Balance Sheet	Intermediary Positions/Other	Total
Amortization/accretion of hedging activities in net margin	$ (52)	$	$(1)	$ 19	$ (1)	$	$	$ (35)
Net gains (losses) on derivatives and hedging activities	(402)	(148)	4	(5)	(49)	13	325	(262)
Net gains on trading securities		11						11
Net (losses) gains on advances and consolidated obligations—bonds held at fair value	(144)			246				102
Total	$(598)	$(137)	$ 3	$260	$(50)	$13	$325	$(184)

Earnings Effect for the Three Months Ended September 30, 2007	Advances	Investments	MPF/ MPP Loans	COs- Bonds	COs- Discount Notes	Balance Sheet	Intermediary Positions	Total
Amortization/accretion of hedging activities in net margin	$(14)	$	$(1)	$ (1)	$ (1)	$	$	$ (17)
Net gains (losses) on derivatives and hedging activities	32	(115)	(5)	(20)	(18)	2		(124)
Net gains on trading securities		124						124
Total	$ 18	$ 9	$(6)	$(21)	$(19)	$2	$	$ (17)

Effect of Hedging, Trading Securities Activities and Fair Value Measurements on Earnings by Product (continued)
(Dollar amounts in millions)

Earnings Effect for the Nine Months Ended September 30, 2008	Advances	Investments	MPF/ MPP Loans	COs- Bonds	COs- Discount Notes	Balance Sheet	Intermediary Positions/Other	Total
Amortization/accretion of hedging activities in net margin	$ (90)	$	$ (1)	$ 22	$(7)	$	$	$ (76)
Net (losses) gains on derivatives and hedging activities	(456)	(103)	(61)	(16)	4	25	325	(282)
Net losses on trading securities		(121)						(121)
Net (losses) gains on advances and consolidated obligations—bonds held at fair value	(161)			309				148
Total	$(707)	$(224)	$(62)	$315	$(3)	$25	$325	$(331)

Earnings Effect for the Nine Months Ended September 30, 2007	Advances	Investments	MPF/ MPP Loans	COs- Bonds	COs- Discount Notes	Balance Sheet	Intermediary Positions	Total
Amortization/accretion of hedging activities in net margin	$(52)	$	$	$(29)	$(3)	$	$	$(84)
Net gains (losses) on derivatives and hedging activities	48	(38)	(23)	(28)	(6)	1		(46)
Net gains on trading securities		34						34
Total	$ (4)	$ (4)	$(23)	$(57)	$(9)	$1	$	$(96)

Other Expense.

Operating Expenses
(Dollar amounts in millions)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,		For the Three Months Ended September 30, 2008 vs. 2007 Increase		For the Nine Months Ended September 30, 2008 vs. 2007 Increase	
	2008	2007	2008	2007	$	%	$	%
Salaries and employee benefits	$111	$105	$339	$325	$ 6	5.7%	$14	4.3%
Cost of quarters	9	9	28	28		0.0%		0.0%
Other	61	57	173	162	4	7.0%	11	6.8%
Total operating expenses	$181	$171	$540	$515	$10	5.8%	$25	4.9%
Operating expenses as a percentage of average assets (basis points) (1)	5.3	6.1	5.4	6.6				

(1) Operating expense ratio is annualized.

The increase in total operating expenses in the three and nine months ended September 30, 2008 primarily relates to salaries and employee benefits as a result of higher staffing levels for several of the FHLBanks and general increases in pay and benefits. In addition, other operating expenses for the first nine months of 2008 includes $3 million in costs resulting from the termination of the merger discussions between the FHLBanks of Chicago and Dallas that were expensed in the first quarter of 2008.

Other Expenses
(Dollar amounts in millions)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,		For the Three Months Ended September 30, 2008 vs. 2007	For the Nine Months Ended September 30, 2008 vs. 2007
					Increase (Decrease)	Increase
	2008	2007	2008	2007	$	$
Finance Agency/Finance Board	$ 9	$ 9	$ 29	$ 26	$	$ 3
Office of Finance	8	8	24	21		3
Provision for derivative counterparty credit losses	252		252		252	252
Other, net	5	1	10	10	4	
Affordable Housing Program	57	83	233	224	(26)	9

Finance Agency/Finance Board Expenses. The FHLBanks funded the costs of operating the Finance Board, and fund a portion of the costs of operating the Finance Agency since it was created on July 30, 2008. These costs are under the sole control of the Regulator. Finance Board expenses were allocated among the FHLBanks based on each FHLBank's percentage of total combined regulatory capital stock plus retained earnings through July 29, 2008. The Finance Agency's expenses and working capital fund are allocated among the FHLBanks based on the *pro rata* share of the annual assessments based on the ratio between each FHLBank's minimum required regulatory capital and the aggregate minimum required regulatory capital of every FHLBank. Each FHLBank must pay an amount equal to one-half of its annual assessment twice each year.

Office of Finance Expenses. The FHLBanks also fund the costs of the Office of Finance. The Office of Finance, a joint office of the FHLBanks, issues and services consolidated obligations, prepares the FHLBanks' combined quarterly and annual financial reports, and fulfills certain other functions. The expenses of the Office of Finance are allocated among the FHLBanks based on each FHLBank's percentage of total capital stock, percentage of consolidated obligations issued, and percentage of consolidated obligations outstanding.

Provision for Derivative Counterparty Credit Losses. The provision for derivative counterparty credit losses in Total other expense section of the Statements of Income for the three and nine months ended September 30, 2008 relates to certain FHLBanks' provision for outstanding receivable with LBSF. LBSF was a counterparty to FHLBanks on multiple derivative transactions under International Swap Dealers Association, Inc. master agreements with a total notional amount of $123 billion at the time of termination of the FHLBanks' derivative transactions with LBSF. On September 15, 2008, LBHI, the parent company of LBSF and a guarantor of LBSF's obligations filed for protection under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court in the Southern District of New York. As a result, each affected FHLBank notified LBSF of the FHLBank's intent to early terminate all outstanding derivative positions with LBSF. Unwinding of the derivative transactions between LBSF and FHLBanks resulted in $343 million of net gains on derivatives and hedging activities for the three and nine months ended September 30, 2008. For a discussion of an individual FHLBank's exposure to and dealings with LBSF, see that FHLBank's periodic report filed with the SEC.

Upon unwinding of the derivative transactions between the FHLBanks and LBSF, the FHLBanks in a net receivable position netted the value of the collateral due to be returned to the FHLBanks with all other amounts due between the parties, which resulted in an establishment of a $312 million net receivable from LBSF (before provision) included in Other assets in the Combined Statement of Condition and a $252 million provision for derivative counterparty credit losses in the Combined Statement of Income to the extent that the FHLBanks were able to reasonably estimate the amount of loss that has been occurred with respect to debt settlements of derivative transactions with LBSF. (See FHLBanks' Combining Schedules for provision detail by FHLBank.)

On October 3, 2008, the FHLBank of Atlanta sent a settlement statement to LBSF notifying it of all amounts payable if, as permitted under the master agreement, the value of the collateral due to be returned to the FHLBank of Atlanta were netted against all other amounts due between the parties as a result of unwinding the derivative transactions, and demanding payment for that amount. On October 3, 2008, the FHLBank of Atlanta filed suit in New York State Court against LBSF with respect to certain terminated derivative transactions. Later that same day, LBSF filed for bankruptcy protection, and the FHLBank of Atlanta's action has now been stayed pursuant to applicable bankruptcy law. In accordance with the master agreement, the net amount due to the FHLBank of Atlanta as a result of such excess collateral held by LBSF is approximately $189.4 million. The FHLBank of Atlanta intends to file proofs of claim, and otherwise pursue its claims, as permitted by law, against LBSF and LBHI in the relevant bankruptcy proceedings.

Furthermore, on October 7, 2008, the FHLBank of Pittsburgh filed an adversary proceeding against J.P. Morgan Chase Bank, N.A. (JP Morgan) and LBSF in the United States Bankruptcy Court in the Southern District of New York alleging constructive trust, conversion, breach of contract, unjust enrichment and injunction claims relating to the right of the FHLBank of Pittsburgh to the return of the $42 million in its posted cash collateral held by JP Morgan in a custodial account established by LBSF as a fiduciary for the benefit of the FHLBank of Pittsburgh.

Affordable Housing Program (AHP). Annually, the FHLBanks must set aside for the AHP the greater of $100 million or 10 percent of regulatory income, after the assessment for Resolution Funding Corporation (REFCORP). Regulatory income is income before assessments, plus interest expense related to mandatorily redeemable capital stock under SFAS No. 150, *Accounting for Certain Financial Instruments and Characteristics of both Liabilities and Equity* (SFAS 150), less the assessment for REFCORP. Any FHLBank with a net loss for a quarter is not required to pay the AHP assessment for that quarter. The Regulator requires each FHLBank to add back interest expense related to mandatorily redeemable capital stock before the calculation of its AHP assessment. The increase in the AHP assessments for the third quarter and first nine months of 2008 compared to the third quarter and first nine months of 2007 reflects the overall trend of the FHLBanks' net income. AHP helps members provide subsidized and other low-cost funding to create affordable rental and home ownership opportunities. All FHLBank operating costs for the AHP are included in operating expenses, so all AHP assessments go directly to support affordable housing projects.

Interbank Transfers of Liability on Outstanding Consolidated Obligations—Bonds and Their Effect on Combined Net Income. Combined net income of the FHLBanks is affected by interbank transfers of liability on outstanding consolidated obligations—bonds. These transactions arise when one FHLBank transfers its direct liability on outstanding consolidated obligations—bonds to another FHLBank that assumes the direct liability on those outstanding consolidated obligations—bonds. By engaging in these transactions, two FHLBanks are able to better match their funding needs by transferring funds held by one FHLBank to another FHLBank that needs funds. Transfer transactions allow the assuming FHLBank to achieve equal or lower funding costs than would be available to it for a similarly sized transaction in the capital markets at the time of the transfer. Because the consolidated obligations—bonds are the joint and several obligation of all 12 FHLBanks, these interbank transactions have no effect on the holders of the consolidated obligations—bonds.

Description of the Transactions. As part of its overall asset/liability management strategy, an FHLBank may issue more debt than it needs at the time of issuance to fund its business. This allows the FHLBank to take advantage of favorable funding prices for large-size transactions in anticipation of using the proceeds at a later time to fund the acquisition of assets, such as advances or mortgages. In other cases, an FHLBank may have excess liquidity due to the prepayment of mortgages. Instead of continuing to retain the excess funds for use in its own business, an FHLBank may elect to transfer a portion of its liability to an FHLBank with more immediate funding needs. The funds are transferred to the assuming FHLBank together with the corresponding liability under the consolidated obligations—bonds. The assuming FHLBank assumes this liability at fair value which represents an all-in cost equal to or lower than it would have otherwise obtained for the same amount and maturity in the capital markets at that time. In this type of transaction, the FHLBank that transfers a liability for the consolidated obligations—

bond also unwinds the related portion of any hedge transactions it entered into when the consolidated obligations—bond was issued. It can also take other steps in order to manage its interest rate exposure on the debt transferred. For example, it can:

— terminate the interest-rate exchange agreement entered into with respect to the transferred debt; or

— eliminate the underlying assets (e.g., through the sale of investment securities with similar characteristics to those consolidated obligations—bonds being offered for transfer or through the prepayment of mortgages).

The transferring FHLBank treats the transfer as a debt extinguishment because that FHLBank has been released from being the primary obligor. Specifically, the release is made effective by the Office of Finance recording the transfer in its records. The Office of Finance provides release by acting within the confines of the regulations that govern the determination of which FHLBank is the primary obligor. The assuming FHLBank becomes the primary obligor because it now is directly responsible for repaying the debt. The transferring FHLBank continues to disclose the transferred debt as a contingent liability because it still has joint and several liability with respect to repaying the transferred consolidated obligation.

The initial carrying amount for the consolidated obligations—bond is the amount (including any premium or discount) the assuming FHLBank paid the transferring FHLBank. Under this transfer scenario, no transaction with a third party independent of the FHLBanks takes place. Under the principles of combination accounting, combining adjustments are required to reflect the transaction as if the transferring FHLBank still holds the consolidated obligations—bond for purposes of the combined financial statements of the FHLBanks. This has the following results:

(1) the debt extinguishment transaction (including any gain or loss) is eliminated;

(2) all statement of condition and statement of income effects with respect to the premium or discount related to the purchase of the consolidated obligations—bonds by the assuming FHLBank are eliminated; and

(3) the original premium or discount, concession fees and SFAS 133 basis adjustments of the transferring FHLBank are reinstated and amortized over the life of the consolidated obligations—bond.

These amounts are eliminated as combining adjustments in the combining schedules accompanying the combined financial statements and will reverse over the remaining term of the consolidated obligations—bonds. Due to different discount accretion and/or premium amortization periods used by the assuming FHLBank and the transferring FHLBank, timing differences will affect net interest income as these transactions are reversed. These transactions do not affect the holders of the consolidated obligations—bonds, as the consolidated obligations—bonds are the joint and several obligation of all 12 FHLBanks. (See Note 1 to the accompanying combined financial statements and the related FHLBanks combining schedules.)

Total interbank consolidated obligations—bonds of $861 million and $1,033 million at par value were transferred from one FHLBank to another FHLBank during the first nine months of 2008 and 2007. The combining adjustments for the third quarter and first nine months of 2008 and 2007 for the elimination of the transfers of interbank consolidated obligations—bond liabilities and interbank fees and commissions related to the MPF Program resulted in the following effect on the Combined Statement of Income:

Effect of Combining Adjustments on Combined Statement of Income
(Dollar amounts in millions)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,		For the Three Months Ended September 30, 2008 vs. 2007	For the Nine Months Ended September 30, 2008 vs. 2007
	2008	2007	2008	2007	Decrease	Decrease
Effect on:						
Net interest income	$(2)	$	$(6)	$ 1	$(2)	$ (7)
Total other (loss) income	(2)	(1)	(4)	1	(1)	(5)
Total other expense	(1)	(1)	(4)	(3)		(1)
Net income	(3)		(6)	5	(3)	(11)

REFCORP Payment

Each FHLBank is required to make payments to REFCORP (20 percent of annual GAAP net income after payment of AHP assessments) until the total amount of payments actually made is equivalent to a $300 million annual annuity whose final maturity date is April 15, 2030. The Regulator will shorten or lengthen the period during which the FHLBanks must make payments to REFCORP depending on actual payments relative to the referenced annuity. In addition, the Regulator, in consultation with the U.S. Secretary of the Treasury, selects the appropriate discounting factors used in calculating the annuity.

The REFCORP assessment of the FHLBanks was $118 million (cash payment of $181 million) for the third quarter of 2008 and $184 million (cash payment of $180 million) for the third quarter of 2007. The REFCORP assessment of the FHLBanks was $511 million (cash payment of $576 million) for the first nine months of 2008 and $494 million (cash payment of $494 million) for the first nine months of 2007. The cash payments are made based on preliminary GAAP net income amounts due to the timing requirement of the payment. Any FHLBank with a net loss for a quarter is not required to pay the REFCORP assessment for that quarter. As specified in the applicable regulation that implements section 607 of the Gramm-Leach-Bliley Act of 1999 (GLB Act), the amount by which the REFCORP payment for any quarter exceeds the $75 million benchmark payment is used to simulate the purchase of zero-coupon U.S. Treasury bonds to “defease” all or a portion of the most-distant remaining quarterly benchmark payment. The $106 million by which the third quarter REFCORP payment exceeded the $75 million quarterly benchmark will fully defease the remaining $67 million portion of the benchmark payment due on October 15, 2012 and defease $49 million of the $75 million benchmark payment due on July 15, 2012. The defeased benchmark payments (or portions thereof) can be reinstated if future actual REFCORP payments fall short of the $75 million benchmark in any quarter.

As a result of the REFCORP payments of $181 million made by the FHLBanks in the third quarter of 2008, the overall period during which the FHLBanks must continue to make quarterly payments was shortened to July 15, 2012, effective at September 30, 2008. This date assumes that the FHLBanks will pay exactly $300 million annually after September 30, 2008 until the annuity is fully satisfied.

REFCORP Defeasance Summary
For Third Quarter 2008 Payment
(Dollar amounts in millions)

Payment Due Date	Amount of Benchmark Payment Defeased*	Interest Rate Used to Discount the Future Benchmark Payment	Present Value of Benchmark Payment Defeased**
October 15, 2012 (most distant remaining payment)	$ 67	2.53%	$ 61
July 15, 2012	49	2.42%	45
Total	$116		$106

* Subject to possible subsequent reinstatement.

** Actual cash payment of $181 million made based on estimated net income.

Capital Adequacy

The FHLBank Act prescribes minimum capital stock requirements for the FHLBanks. In addition, an individual FHLBank, at the discretion of its board of directors and/or management, may institute a higher capital requirement in order to meet internally-established thresholds or to address supervisory matters.

Regulator guidance calls for each FHLBank to assess, at least once a year, the adequacy of its retained earnings under various future financial and economic scenarios, including:

- parallel and non-parallel interest-rate shifts;
- changes in the basis relationship between different yield curves; and
- changes in the credit quality of the FHLBank's assets.

Management and the board of directors of each FHLBank review the capital structure of that FHLBank (including retained earnings) on a periodic basis to make sure the capital structure supports the risk associated with its assets and addresses applicable regulatory and supervisory matters.

Some boards of directors and/or management teams of FHLBanks have agreed with the Regulator either to maintain higher total capital-to-assets ratios or limit dividend payments as part of their retained earnings policies. At September 30, 2008, each of the FHLBanks was in compliance with its statutory minimum capital requirements and any internally-established or supervisory limitations. As these limitations may be revised from time to time, they are more flexible than the minimum requirements prescribed by statute.

At September 30, 2008, 94.1 percent of the capital of the FHLBanks consisted of capital stock, while 5.9 percent consisted of retained earnings and accumulated other comprehensive income. At September 30, 2008, the FHLBanks had a combined regulatory capital-to-assets ratio of 4.44 percent, up from 4.41 percent at December 31, 2007. At September 30, 2008, the FHLBanks had a combined GAAP capital-to-assets ratio of 3.99 percent, down from 4.21 percent at December 31, 2007. With the passage of the Housing Act, the director of the newly-established Finance Agency shall be responsible for setting the risk-based capital standards for the FHLBanks.

Liquidity

The FHLBanks need liquidity to:

- satisfy their members' demand for short- and long-term funds;
- repay maturing consolidated obligations; and
- meet other obligations, including any mandatory redemptions of capital stock.

The FHLBanks also maintain liquidity to repurchase excess capital stock at their discretion upon the request of a member or under an FHLBank's excess stock repurchase program.

Each FHLBank is required to maintain liquidity in accordance with the FHLBank Act, certain regulations and policies established by its management and board of directors. The FHLBanks seek to be in a position to meet the credit and liquidity needs of their members without maintaining excessive holdings of low-yielding liquid investments or being forced to incur unnecessarily high borrowing costs. The FHLBanks' primary sources of liquidity are short-term investments and the issuance of new consolidated obligations. Other short-term borrowings, such as Federal funds purchased, securities sold under agreements to repurchase, and loans from other FHLBanks, may also provide liquidity. The GSE status and favorable credit rating have historically provided the FHLBanks with excellent access to capital markets. Consolidated obligations enjoy GSE status; however, they are not obligations of the United States and the United States does not guarantee them. The FHLBanks' consolidated obligations are rated Aaa/P-1 by Moody's and AAA/A-1+ by S&P. These are the highest ratings available for such debt from a Nationally Recognized Statistical Rating Organization (NRSRO). These ratings indicate that the FHLBanks have an extremely strong capacity to meet their commitments to pay principal of and interest on consolidated obligations and that the consolidated obligations are judged to be of the highest quality with minimal credit risk. The ratings also reflect the FHLBanks' status as GSEs. These ratings have not been affected by rating actions taken with respect to individual FHLBanks. (See "Recent Rating Agency Actions.") Investors should note that a rating issued by an NRSRO is not a recommendation to buy, sell or hold securities and that the ratings may be revised or withdrawn by the NRSRO at any time. Investors should evaluate the rating of each NRSRO independently.

During the third quarter of 2008, each FHLBank entered into a Lending Agreement with the U.S. Treasury in connection with the U.S. Treasury's establishment of the Government Sponsored Enterprise Credit Facility (GSECF), as authorized by the Housing Act. The GSECF is designed to serve as a contingent source of liquidity for the housing government-sponsored enterprises, including each of the 12 FHLBanks. Any borrowings by one or more of the FHLBanks under the GSECF are considered consolidated obligations with the same joint and several liability as all other consolidated obligations. The terms of any borrowings are agreed to at the time of issuance. Loans under the Lending Agreement are to be secured by collateral acceptable to the U.S. Treasury, which consists of FHLBank advances to members that have been collateralized in accordance with regulatory standards and mortgage-backed securities issued by Fannie Mae or Freddie Mac. Each FHLBank is required to submit to the Federal Reserve Bank of New York, acting as fiscal agent of the U.S. Treasury, a list of eligible collateral updated on a weekly basis. As of September 30, 2008 the FHLBanks had provided the U.S. Treasury with listings of advance collateral amounting to $246.6 billion. The amount of collateral can be increased or decreased (subject to the approval of the U.S. Treasury) at any time through the delivery of an updated listing of collateral. As of September 30, 2008 no FHLBank has drawn on this available source of liquidity.

Each FHLBank also maintains a contingency liquidity plan designed to enable it to meet its obligations and the liquidity needs of its members in the event of operational disruptions at the FHLBanks or at the Office of Finance, or short-term capital market disruptions.

Critical Accounting Estimates

For a discussion of Critical Accounting Estimates, see "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations—Critical Accounting Estimates" in the Federal Home Loan Banks' 2007 Combined Financial Report. Other than the fair value changes and other-than-temporary impairment for investment securities discussed below, there have been no material changes from the critical accounting estimates disclosed in the "Critical Accounting Estimates" section of the Federal Home Loan Banks' 2007 Combined Financial Report. Each FHLBank describes its critical accounting estimates in its Management's Discussion and Analysis of Financial Condition and Results of Operations in its periodic reports filed with the SEC. (See "Available Information on Individual FHLBanks.")

Fair Values. The FHLBanks carry certain assets and liabilities on the Combined Statement of Condition at fair value, including investments classified as available-for-sale and trading, all derivatives, and financial instruments carried at fair value under SFAS 159. The FHLBanks adopted SFAS No. 157, *Fair Value Measurements* (SFAS 157), on January 1, 2008. SFAS 157 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the inputs used to measure fair value and requires additional disclosures for instruments carried at fair value on the Combined Statement of Condition. SFAS 157 defines "fair value" as the price that would be received to sell an asset or paid to transfer a liability (an exit price).

Fair values play an important role in the valuation of certain of the assets, liabilities and hedging transactions of the FHLBanks. The degree of management judgment involved in determining the fair value of a financial instrument is dependent upon the availability of quoted market prices or observable market parameters. For financial instruments that are actively traded and have quoted market prices or parameters readily available, there is little to no subjectivity in determining fair value. If quoted market prices or market-based prices are not available, fair values are determined based on valuation models that use either:

- discounted cash flows, using market estimates of interest rates and volatility; or
- dealer prices and prices of similar instruments.

Pricing models and their underlying assumptions are based on the best estimates of management of each FHLBank with respect to:

- discount rates;
- prepayments;
- market volatility; and
- other factors.

These assumptions may have a significant effect on the reported fair values of assets and liabilities, including derivatives, and the income and expense related thereto. The use of different assumptions, as well as changes in market conditions, could result in materially different net income and retained earnings. The FHLBanks do not necessarily use the same dealer prices, models and assumptions in determining the fair values of their respective assets, liabilities and derivatives.

The FHLBanks categorize their financial instruments carried at fair value into a three-level classification in accordance with SFAS 157. The valuation hierarchy is based upon the transparency (observable or unobservable) of inputs to the valuation of an asset or liability as of the measurement date. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect an FHLBank's market assumptions. The FHLBanks utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. For a discussion of an individual FHLBank's fair value measurement techniques, see that FHLBank's periodic report filed with the SEC.

For further discussion regarding how the FHLBanks measure financial assets and financial liabilities at fair value, see "Note 10—Fair Value Disclosures," to the combined financial statements.

Other-Than-Temporary Impairment for Investment Securities. The broad-based deterioration of credit performance related to residential mortgage loans and the accompanying decline in U.S. residential real estate values have increased the level of credit risk to which the FHLBanks are exposed in their investments in mortgage-related securities. The FHLBanks' investments in mortgage-related securities are directly or indirectly supported by underlying mortgage loans. Due to the decline in values of residential U.S. real estate and difficult conditions in the credit markets, the FHLBanks closely monitor the performance of their securities on a quarterly basis (or sooner if a loss-triggering event occurs) to evaluate their exposure to the risk of loss on these investments in order to determine whether a loss is other-than-temporary, consistent with SFAS 115 (as amended by Financial Accounting Standards Board Staff Position (FSP) 115-1, *The Meaning of Other-Than-Temporary Impairment and its Application to*

Certain Investments). For an investment security that has a fair value that is less than its corresponding carrying value, an FHLBank will record impairment (at fair value) when the decline in fair value is deemed to be other-than-temporary. An FHLBank will conclude that a loss is other-than-temporary if it is probable that the FHLBank will not receive all of the investment security's contractual cash flows. As part of this analysis, an FHLBank must assess its intent and ability to hold a security until recovery of any unrealized losses. These evaluations are inherently subjective and consider a number of qualitative factors. In addition to monitoring the credit ratings of these securities for downgrades, as well as placement on negative outlook or credit watch, an FHLBank's management evaluates other factors that may be indicative of other-than-temporary impairment. These include, but are not limited to, an evaluation of the type of security, the length of time and extent to which the fair value of a security has been less than its cost, any credit enhancement or insurance, and certain other collateral-related characteristics such as FICO credit scores, loan-to-value ratios, delinquency and foreclosure rates, geographic concentrations and the security's performance. If an FHLBank determines that an other-than-temporary impairment exists, it accounts for the investment security as if it had been purchased on the measurement date of the other-than-temporary impairment. The investment security is written down to fair value (its new cost basis), any deferred amounts related to the investment security are written off, and a realized loss is recognized in non-interest income. A new accretable yield is calculated and amortized prospectively over the remaining life of the investment security based on the amount and timing of future estimated cash flows.

Legislative and Regulatory Developments

Emergency Economic Stabilization Act of 2008. On October 3, 2008, the Emergency Economic Stabilization Act of 2008 was enacted and, among other things, authorizes the U.S. Secretary of the Treasury to establish the $700 billion Troubled Asset Relief Program to either purchase equity in U.S. financial institutions or purchase distressed assets, particularly illiquid residential and commercial mortgages and mortgage-backed securities, from U.S. financial institutions with the intention of increasing liquidity in the secondary mortgage markets and reducing potential losses for owners of these securities.

Federal Reserve Board of Governors Announce Securities Purchase Plan. As an additional measure to further support the functioning of financial markets, on September 19, 2008, the Federal Reserve announced that it will begin purchasing short-term debt obligations issued by Fannie Mae, Freddie Mac and the FHLBanks in the secondary market. Similar to secondary market purchases of U.S. Treasury securities, purchases of Fannie Mae, Freddie Mac and FHLBank debt will be conducted with the Federal Reserve's primary dealers through a series of competitive auctions. During September 2008, the Federal Reserve Bank of New York purchased $3.4 billion of FHLBanks' consolidated obligations—discount notes under this securities purchase plan.

Federal Reserve Program to Purchase Senior Debt and MBS Issued by Housing GSEs. On November 25, 2008, the Federal Reserve announced it will initiate a program to purchase the direct obligations of housing-related GSEs—Fannie Mae, Freddie Mac, and the FHLBanks—and MBS backed by Fannie Mae, Freddie Mac, and Ginnie Mae. This action is being taken to reduce the cost and increase the availability of credit for the purchase of houses, which in turn should support housing markets and foster improved conditions in financial markets more generally. Purchases of up to $100 billion in GSE direct obligations under the program will be conducted with the Federal Reserve's primary dealers through a series of competitive auctions and will begin in early December. Purchases of up to $500 billion in MBS will be conducted by asset managers selected via a competitive process with a goal of beginning these purchases before year-end. Purchases of both direct obligations and MBS are expected to take place over several quarters.

Interim Final Regulation Regarding Golden Parachute Payments. On September 12, 2008, the Finance Agency issued an interim final regulation, with a request for comments, which sets forth the standards that the Director of the Finance Agency (FHFA Director) will take into consideration in determining whether to limit or prohibit golden parachute payments to entity affiliated parties in connection with Fannie Mae, Freddie Mac, and the FHLBanks. Under the provisions of the interim final

regulation, no regulated entity shall make or agree to make any golden parachute payment except with the concurrence of the FHFA Director. The interim final regulation was published in the Federal Register on September 16, 2008, and the comment period on the interim final regulation closed on October 31, 2008. Correcting amendments published in the Federal Register in September 2008 rescinded that portion of the interim final regulation related to indemnification payments but indemnification payments are the subject of a standalone rulemaking.

Government Sponsored Enterprise Credit Facility. On September 7, 2008, the U.S. Treasury, as authorized by the Housing Act, established the GSECF that is designed to serve as a contingent source of liquidity for the housing government-sponsored enterprises, including each of the 12 FHLBanks. Funding provided by the U.S. Treasury would be in the form a consolidated obligation issued to the U.S. Treasury. In exchange, the FHLBanks would provide collateral with qualifying assets, which are defined as mortgage-backed securities issued by Freddie Mac and Fannie Mae and advances made by the FHLBanks. As of December 1, 2008, no FHLBank had drawn on this available source of liquidity.

Changes to Regulation of GSEs. On July 30, 2008, the Housing Act was enacted and is designed to, among other things, address the current housing finance crisis, expand the FHA's financing authority and address GSE reform issues. Each FHLBank continues to review the effect of the Housing Act on its business and operations. With respect to the FHLBanks, the Housing Act:

- Creates a newly-established, independent federal agency regulator, the Finance Agency, which became the new federal regulator of the FHLBanks and the Office of Finance, Fannie Mae and Freddie Mac effective on July 30, 2008. The Finance Agency is headed by a single Director and under the Housing Act, the initial acting FHFA Director is James Lockhart, who had most recently served as the Director of OFHEO. The Finance Board was merged into the Finance Agency as of October 27, 2008. Finance Board regulations, orders, determinations and resolutions remain in effect until modified, terminated, set aside or superseded in accordance with law by the FHFA Director, a court of competent jurisdiction or by operation of law. The FHLBanks will be responsible for their share of the operating expenses for the Finance Agency.

- Authorizes the U.S. Secretary of the Treasury to purchase obligations issued by the FHLBanks, in any amount deemed appropriate by the U.S. Secretary of the Treasury under certain conditions. This temporary authorization expires December 31, 2009 and supplements the existing limit of $4 billion. See "Government Sponsored Enterprise Credit Facility" for more information.

- Authorizes the FHFA Director to set risk-based capital standards for the FHLBanks and other capital standards and reserve requirements for FHLBank activities and products.

- Provides the FHFA Director with express broad conservatorship and receivership authority over the FHLBanks.

- Provides that an FHLBank's board of directors shall be comprised of 13 directors, or such other number as the FHFA Director determines appropriate, a majority of whom shall be persons who are directors or officers of its members and a minimum of two-fifths of whom shall be non-member independent directors (nominated by an FHLBank's board of directors in consultation with the affordable housing Advisory Council of the FHLBank). Two of the independent directors must have more than four years experience in representing consumer or community interests and the remaining directors must have such other knowledge and expertise as set forth in the Housing Act or regulations promulgated under the Housing Act. The statutory "grandfathering" rules for the number of elective director seats by state remain, unless FHLBanks merge.

- Removes the maximum statutory annual limit on director compensation.

- Allows the FHFA Director to prohibit FHLBank executive compensation that is not reasonable and comparable with compensation for employment in other similar businesses involving similar duties and responsibilities. If the FHLBank is undercapitalized, the FHFA Director may also restrict executive compensation. Until December 31, 2009, the FHFA Director has additional authority to approve, disapprove or modify executive compensation.

- Requires the FHFA Director to issue regulations to facilitate the sharing of information among the FHLBanks to, among other things, enable the FHLBanks to assess their joint and several liability obligations.
- Provides the FHLBanks with express statutory exemptions from compliance with certain provisions of the federal securities laws.
- Allows FHLBanks to voluntarily merge with the approval of the FHFA Director and their respective boards of directors and requires the FHFA Director to issue regulations establishing the conditions and procedures for the consideration and approval of voluntary mergers, including procedures for FHLBank member approval.
- Requires the FHFA Director to provide to the affected FHLBank (1) at least 30 days notice prior to liquidating or reorganizing that FHLBank and (2) a hearing.
- Allows the number of FHLBank districts to be reduced to fewer than eight pursuant to a voluntary merger or pursuant to the FHFA Director's action to liquidate an FHLBank.
- Provides FHLBank membership eligibility for "community development financial institutions".
- Redefines "community financial institutions" as those institutions that have, as of the date of the transaction at issue, less than $1.0 billion in average total assets over the three years preceding that date (subject to annual adjustment by the FHFA Director based on the consumer price index) and adds secured loans for "community development activities" as a permitted purpose, and as eligible collateral, for advances to community financial institutions.
- Provides that each FHLBank shall establish an office for diversity in management, employment and business activities.
- Provides that the FHLBanks are subject to prompt corrective action enforcement provisions, similar to those currently applicable to national banks and federal savings associations.
- Authorizes the FHFA Director to establish low- and very low-income and certain other housing goals for loans acquired by the FHLBanks, which when established would affect the FHLBanks' acquired member asset programs.
- Authorizes each FHLBank to issue letters of credit to support tax-exempt bond issuances, where the original issuance of the bonds occurred during the period beginning July 30, 2008 and ending December 31, 2010, or a renewal or extension of a letter of credit so issued.
- Authorizes each FHLBank under its Affordable Housing Program to use such percentage, as the FHFA Director may establish, of any subsidized advances set aside to finance home ownership for the refinancing of home loans for families having an income at or below 80 percent of the applicable area median income. This authority expires in July 2010.

FHLBank of Chicago Consent Cease and Desist Order (C&D Order). At the request of the Finance Board, on October 10, 2007, the FHLBank of Chicago entered into a C&D Order. The C&D Order places several requirements on the FHLBank of Chicago, including maintenance of revised minimum regulatory capital requirements, prior Finance Board approval of capital stock repurchases and redemptions and dividend declarations, submission of a new capital plan and submission of revised market risk management and hedging policies and procedures. As of September 30, 2008, the Director of the Office of Supervision of the Finance Board (OS Director) has denied the FHLBank of Chicago's requests to redeem capital stock totaling $10 million in connection with eight membership withdrawals or other terminations. The FHLBank of Chicago remains in compliance with the minimum capital and leverage requirements outlined in the C&D Order.

The FHLBank of Chicago capital plan submission has not been acted upon by the Finance Agency. However, the FHLBank of Chicago believes that the progress it has made on changes in management and management practices, balance sheet management, reduction of operating expenses, and the launch of the MPF Xtra off-balance sheet product has laid a foundation for approval of a new capital plan next year.

Once the plan is approved, the FHLBank of Chicago will announce the material terms of the plan and release the full text of the final plan.

At the request of the FHLBank of Chicago, on July 24, 2008, the Finance Board amended the C&D Order to allow the FHLBank of Chicago to repurchase or redeem any capital stock issued to support new advances after repayment of those new advances. Specifically, under the C&D Order, as amended, the FHLBank of Chicago may repurchase or redeem any capital stock upon the following conditions:

- the capital stock was issued on or after July 24, 2008;
- the FHLBank of Chicago issued the stock solely in order to allow a member to obtain a new advance, provided that such member's aggregate outstanding advances do not exceed 20 times the amount of FHLBank of Chicago capital stock held by such member as required by the FHLBank Act;
- the member has repaid in full the advance that was obtained using the newly issued capital stock;
- subsequent to the redemption or repurchase of the newly issued stock, the FHLBank of Chicago remains in compliance with any applicable minimum capital requirement; and
- the redemption or repurchase does not otherwise cause the FHLBank of Chicago to violate a provision of the FHLBank Act.

Notwithstanding the above, the OS Director may direct the FHLBank of Chicago not to redeem or repurchase stock if, in his sole discretion, the continuation of such transactions would be inconsistent with maintaining the capital adequacy of the FHLBank of Chicago and its continued safe and sound operations, although such action by the OS Director would not preclude redemption or repurchase of stock issued by the FHLBank of Chicago prior to the date on which the OS Director takes such action.

In order to more efficiently and transparently process member requests for the redemption of capital stock as permitted under the C&D Order amendment, the FHLBank of Chicago has established a capital stock "floor" for each member as of the close of business on July 23, 2008, which is the amount of capital stock held by each member at that time. To the extent that a member's stock purchases to support advances after this date cause the member's total capital stock balance to exceed this floor, the member will be able to redeem this incremental capital stock if it later becomes excess stock. When the FHLBank of Chicago performs its annual recalculation of a member's stock requirement based on its mortgage assets, a new floor will be calculated based on the old floor capital stock base amount plus any amount of incremental capital stock required to be purchased as a result of this recalculation. New members will be assigned a capital stock floor at the time they purchase required membership capital stock.

Finance Board Issues Advisory Bulletin on Application of Guidance on Nontraditional and Subprime Residential Mortgage Loans to Specific FHLBank Assets. On July 1, 2008, the Finance Board issued Advisory Bulletin 2008-AB-02 (Advisory Bulletin) on the application of nontraditional and subprime residential mortgage loans to specific FHLBank assets. This Advisory Bulletin supplements Advisory Bulletin 2007-AB-01 by providing written guidance regarding mortgages purchased under the Acquired Member Assets programs, investments in private-label mortgage-backed securities and collateral securing advances. The Advisory Bulletin was effective upon issuance.

The Advisory Bulletin states that mortgage loan commitments and/or underlying mortgages related to private-label mortgage-backed securities and/or collateral securing advances entered into by the FHLBanks comply with all aspect of the *Interagency Guidance on Nontraditional Mortgage Product Risks* and *Statement on Subprime Mortgage Lending* guidance published by the Federal banking regulatory agencies.

Finance Board's Temporary Increase in Authority to Purchase Mortgage-Backed Securities. On March 24, 2008, the Finance Board passed a resolution authorizing the FHLBanks to increase their purchases of agency mortgage-backed securities, effective immediately. Pursuant to the resolution, the limit on the FHLBanks' mortgage-backed securities authority would increase from 300 percent of capital to 600 percent of capital for two years for certain types of mortgage-backed securities. The resolution

requires an FHLBank to notify the Regulator prior to its first acquisition under the expanded authority and include in its notification a description of the risk management principles underlying its purchases. The expanded authority is limited to Fannie Mae and Freddie Mac securities. The resolution provides that securities purchased under the increased authority must be backed by mortgages that were originated after January 1, 2008 consistent with, and subsequent to, the Federal banking regulatory agencies' guidance on non-traditional and subprime mortgage lending. The terms of the resolution may be amended by the Regulator based on an individual FHLBank's circumstances.

The FHLBank of Topeka received authorization and subsequently began acquiring mortgage-backed securities in the second quarter of 2008 under this expanded authority and continues to do so. The FHLBanks of Cincinnati and Dallas were approved by the Finance Board to begin making such purchases in the second quarter of 2008 and during the third quarter of 2008, additional MBS securities were purchased under the expanded authority by both FHLBanks. The FHLBank of Des Moines provided notification to the Finance Agency, and did not receive an objection, for its intention to exercise the expanded investment authority and increase its investments in additional agency MBS to 450 percent of capital. On August 6, 2008, the FHLBank of Chicago received authorization from the Office of Supervision of the Finance Board to increase its investments in certain types of agency mortgage-backed securities pursuant to this resolution and substantially increased its agency mortgage-backed securities portfolio under this authority during the third quarter of 2008. The remaining FHLBanks have either provided notification to the Finance Board that they intend to exercise the expanded investment authority, have decided not to pursue it at this time or continue to evaluate their need to increase mortgage-backed securities purchases.

Proposed Affordable Housing Program Regulation Amendment. On October 17, 2008, the Finance Agency issued and sought comment on an interim final rule to implement section 1218 of the Housing Act, which requires the Finance Agency to allow the FHLBanks until July 30, 2010, to use AHP homeownership set-aside funds to refinance low- or moderate-income households' mortgage loans. This rulemaking relocates the AHP regulation to the Finance Agency's rules, and adds new provisions that allow the FHLBanks to use AHP set-aside funds to provide direct subsidies to low- or moderate-income households who qualify for refinancing assistance under the HOPE for Homeowners Program established by the FHA under Title IV of the Housing Act. The interim final rule became effective on October 17, 2008. The Finance Agency will accept written comments on the interim final rule on or before December 16, 2008.

Proposed "Emergency Student Loan Market Liquidity Act." On April 8, 2008, legislation was introduced in the U.S. House of Representatives (H.R. 5723) to authorize FHLBanks on a temporary basis to invest in student loan-related securities, accept student loans and student loan-related securities as collateral, and provide advances to members to originate student loans and finance student loan-related securities. The bill is currently under consideration by the U.S. House Committee on Financial Services. Given the uncertain nature of the legislative process, it is not possible to predict the chances of this legislation being enacted. More recently, a broader student loan bill passed by both the U.S. House of Representatives and the U.S. Senate contains a non-binding "Sense of the Congress" resolution that calls upon the FHLBanks to consider, in consultation with the U.S. Secretary of Treasury and the U.S. Secretary of Education, using available authorities in a timely manner, if needed, to assist in ensuring that students and families can access Federal student loans for academic year 2008-2009, and if needed in the subsequent academic year, in a manner that results in no increased costs to taxpayers.

Recent Rating Agency Actions

Federal Home Loan Banks
Long-Term and Short-Term Credit Ratings
At December 1, 2008

	S&P		Moody's	
	Long-Term/ Short-Term Rating	Outlook	Long-Term/ Short-Term Rating	Outlook
Atlanta	AAA/A-1+	Stable	Aaa/P-1	Stable
Boston	AAA/A-1+	Stable	Aaa/P-1	Stable
Chicago	AA/A-1+	Stable	Aaa/P-1	Stable
Cincinnati	AAA/A-1+	Stable	Aaa/P-1	Stable
Dallas	AAA/A-1+	Stable	Aaa/P-1	Stable
Des Moines	AAA/A-1+	Stable	Aaa/P-1	Stable
Indianapolis	AAA/A-1+	Stable	Aaa/P-1	Stable
New York	AAA/A-1+	Stable	Aaa/P-1	Stable
Pittsburgh	AAA/A-1+	Stable	Aaa/P-1	Stable
San Francisco	AAA/A-1+	Stable	Aaa/P-1	Stable
Seattle (1)	AA+/A-1+	Stable	Aaa/P-1	Stable
Topeka	AAA/A-1+	Stable	Aaa/P-1	Stable

(1) On November 20, 2008, S&P announced that the outlook for the FHLBank of Seattle was revised from positive to stable and the AA+/A-1+ counterparty credit ratings were affirmed.

RISK MANAGEMENT

For a discussion of "Risk Management," including "Quantitative and Qualitative Disclosures about Market Risk, Liquidity Risk, Credit Risk, Operational Risk and Business Risk," see "Risk Management" in the Federal Home Loan Banks' 2007 Combined Financial Report. Each FHLBank includes a discussion of its risk management in its periodic reports filed with the SEC. (See "Available Information on Individual FHLBanks.") The following quantitative information should be read in conjunction with the discussion of "Risk Management" included in the Federal Home Loan Banks' 2007 Combined Financial Report.

Interest-Rate Exchange Agreements

Derivative Notional Amounts. The notional amount of derivatives serves as a factor in determining periodic interest payments or cash flows received and paid.

The following table categorizes the estimated fair value of derivative financial instruments, excluding collateral and accrued interest, by product and type of accounting treatment. The categories "Fair Value" and "Cash Flow" represent hedge strategies for which hedge accounting is achieved. The category "Economic" represents hedge strategies for which hedge accounting is not achieved.

Total Derivative Financial Instrument by Product
(Dollar amounts in millions)

	September 30, 2008		December 31, 2007	
	Total Notional	Total Estimated Fair Value (excludes collateral and accrued interest)	Total Notional	Total Estimated Fair Value (excludes collateral and accrued interest)
Advances				
Fair Value-existing cash item	$ 366,899	$(8,096)	$342,624	$(7,918)
Fair Value-firm commitments	405	6	2,093	(3)
Cash Flow-existing cash item	3,475	188	3,375	161
Economic	47,925	(226)	13,504	(17)
Total	418,704	(8,128)	361,596	(7,777)
Investments				
Fair Value-existing cash item	2,742	(275)	1,251	(172)
Economic (includes trading securities hedges)	15,618	(247)	13,520	(229)
Total	18,360	(522)	14,771	(401)
MPF/MPP Loans Held for Portfolio				
Fair Value-existing cash item	9,238	3	13,959	(51)
Standalone-delivery commitments	532	(3)	214	1
Economic (including TBAs)	7,240	29	7,260	19
Total	17,010	29	21,433	(31)
Consolidated Obligations—Bonds				
Fair Value-existing cash item	377,919	2,094	446,273	3,568
Cash Flow-anticipated transaction	820	(15)	537	(7)
Economic	132,844	(184)	70,952	75
Total	511,583	1,895	517,762	3,636
Consolidated Obligations—Discount Notes				
Fair Value-existing cash item	3,245	(4)	2,172	4
Cash Flow-variability	4,164	(16)		
Economic	38,433	(29)	22,705	14
Total	45,842	(49)	24,877	18
Deposits				
Fair Value	20	4	20	4
Total	20	4	20	4

Total Derivative Financial Instrument by Product (continued)
(Dollar amounts in millions)

	September 30, 2008		December 31, 2007	
	Total Notional	Total Estimated Fair Value (excludes collateral and accrued interest)	Total Notional	Total Estimated Fair Value (excludes collateral and accrued interest)
Balance Sheet				
Economic	$ 26,543	$ 54	$ 15,359	$ 9
Total	26,543	54	15,359	9
Intermediary Positions				
Intermediaries	4,436		3,344	1
Total	4,436		3,344	1
Total notional and estimated fair value	$1,042,498	$(6,717)	$959,162	$(4,541)
Total derivatives excluding collateral and accrued interest		$(6,717)		$(4,541)
Accrued interest		1,971		1,639
Net cash collateral and related accrued interest		2,245		419
Net derivative balances		$(2,501)		$(2,483)
Net derivative assets balances		$ 1,334		$ 1,306
Net derivative liabilities balances		(3,835)		(3,789)
Net derivative balances		$(2,501)		$(2,483)

The notional amount of derivatives represents neither the actual amounts exchanged nor the overall exposure of the FHLBanks to credit and market risk. The overall amount that could potentially be subject to credit loss is much smaller. Notional values are not meaningful measures of the risks associated with derivatives. The risks of derivatives can be measured meaningfully on a portfolio basis. This measurement must take into account the derivatives, the item being hedged and any offsets between the two.

In accordance with SFAS 133, each FHLBank classifies derivative assets and derivative liabilities according to the net fair value of derivatives with each of its counterparties because these swaps are covered by a master netting agreement. If the net fair value of derivatives with one of its counterparties is positive, it is classified as an asset by that FHLBank. If the net fair value of derivatives with one of its counterparties is negative, it is classified as a liability by that FHLBank. In accordance with FSP FIN 39-1, the FHLBanks also offset cash collateral and related accrued interest against the net fair value of derivatives. The $28 million increase in combined derivative assets and the $46 million increase in combined derivative liabilities from December 31, 2007 to September 30, 2008 are largely the result of changes in interest rates.

Quantitative Disclosure about Market Risk

Each FHLBank has an internal modeling system for measuring duration of equity (to provide to the Regulator) and duration gap and, therefore, individual FHLBank measurements may not be directly comparable because not all FHLBanks manage to these risk measures. Each FHLBank reports the results of its duration of equity calculations to the Regulator each quarter; however, each FHLBank that has converted to its new capital structure is no longer subject by regulation to the duration of equity

requirements. The capital adequacy rules of the Regulator require each FHLBank that has implemented a new capital plan to hold permanent capital in an amount sufficient to cover the sum of its credit, market and operational risk-based capital requirements, as these metrics are defined by applicable regulations. Each of these FHLBanks has developed a market risk model that calculates the market risk component of this requirement.

Under applicable regulations, the FHLBank of Chicago, which has not yet converted to its new capital plan, must ensure that its duration of equity stays within a range of +5 to -5 years, based on current interest rates using the consolidated obligations yield curve or an appropriate discounting methodology. If one assumes an instantaneous parallel interest rate shifts of +/-200 basis points, the duration of equity of the FHLBank of Chicago must stay within a range of +7 to -7 years. On August 6, 2008, the FHLBank of Chicago received authorization from the Finance Board's Office of Supervision to implement temporary changes to its existing limits as described below.

In cases where the FHLBank of Chicago's fair value of equity is $700 million or greater, its duration of equity must be greater than or equal to -7 years in a scenario that assumes an instantaneous parallel decrease in rates of 200 basis points and must be less than or equal to +7 years in a scenario that assumes an instantaneous parallel increase in rates of 200 basis points. In cases where the FHLBank of Chicago's fair value of equity is less than $700 million, the FHLBank of Chicago reports a dollar-based duration measurement (i.e., dollar duration of equity) instead of the year-based measurement. Dollar duration of equity is expressed as the expected change in fair value of equity (in actual dollars) given a one basis point instantaneous parallel change in rates. In such cases, the FHLBank of Chicago is required to maintain dollar duration of equity within ± $350 thousand (Base). Additionally, the FHLBank of Chicago's dollar duration of equity must be greater than or equal to -$490 thousand in a scenario that assumes an instantaneous parallel decrease in rates of 200 basis points and must be less than or equal to + $490 thousand in a scenario that assumes an instantaneous increase of 200 basis points.

The table below reflects measurements by the FHLBank of Chicago of its exposure to interest-rate risk in accordance with the authorized temporary changes to Regulator policy. The table summarizes the interest-rate risk associated with all instruments entered into by the FHLBank of Chicago.

Duration of Equity
(In years)

September 30, 2008				December 31, 2007			
-200	-125	Base	+200	-200	-125	Base	+200
N/A	3.9	1.5	-3.9	1.8	N/A	-0.1	-2.7

Each FHLBank also calculates and measures its duration gap. The duration gap is the difference between the estimated durations (market value sensitivity) of assets and liabilities (including the effect of interest-rate exchange agreements) and reflects the extent to which estimated maturity and repricing cash flows for assets and liabilities are matched.

Duration Gap
(In months)

FHLBank	September 30, 2008	December 31, 2007
Boston	(0.6)	0.5
New York	0.0	(0.6)
Pittsburgh	0.8	1.6
Atlanta	0.4	0.4
Cincinnati	(0.1)	0.4
Indianapolis	(0.8)	1.2
Chicago	0.2	0.0
Des Moines	(0.3)	(1.4)
Dallas	2.2	0.9
Topeka	0.5	1.4
San Francisco	2.3	1.5
Seattle	0.0	0.0

Credit Risk

Credit risk is the risk of loss due to default or non-performance of an obligor or counterparty. The FHLBanks are subject to credit risk on advances, investments (including mortgage-backed securities), mortgage loans held for portfolio and interest-rate exchange agreements. Each FHLBank follows guidelines established by the Regulator and its board of directors regarding unsecured extensions of credit, whether on- or off-balance sheet. Applicable regulation limits the amounts and terms of unsecured credit exposure to any counterparty other than the U.S. government. Unsecured credit exposure to any counterparty is limited by the credit quality and capital level of that counterparty and by the capital level of the FHLBank.

Managing Credit Risk

Advances. Each FHLBank manages its credit exposure to advances through an integrated approach that provides for the ongoing review of the financial condition of its borrowers coupled with conservative collateral/lending policies and procedures to limit its risk of loss while balancing its borrowers' needs for a reliable source of funding. The FHLBanks protect against credit risk on advances by collateralizing all advances. The FHLBank Act requires that FHLBanks obtain and maintain collateral from their borrowers to secure advances at the time the advances are originated or renewed. Collateral arrangements will vary depending upon borrower credit quality, financial condition and performance; borrowing capacity; collateral availability; and overall credit exposure to the borrower. Each FHLBank establishes each borrower's borrowing capacity by determining the amount it will lend against each collateral type. Borrowers are also required to collateralize the face amount of any letters of credit issued for their benefit by an FHLBank. Each FHLBank can call for additional or substitute collateral during the life of an advance to protect its security interest.

Residential mortgage loans are the principal form of collateral for advances. As a matter of course and through multiple means, the FHLBanks perfect the security interests granted to them by their borrowers. In addition, the FHLBanks must take any steps necessary to ensure that their security interests in all collateral pledged by non-depository member institutions (i.e., insurance companies and housing associates) is as secure as their security interests in collateral pledged by depository member institutions.

The FHLBanks generally establish an overall FHLBank credit limit for each borrower, which caps the amount of FHLBank credit availability to such borrower. This limit is designed to mitigate the FHLBanks' credit exposure to an individual borrower, while encouraging borrowers to diversify their funding sources. A borrower's total credit limit with an FHLBank includes the face amount of outstanding letters of credit, the principal amount of outstanding advances, the total exposure of the

FHLBank to the borrower under any derivative contract and credit enhancement obligation of the borrower on mortgage loans sold to the FHLBank (if any). Each FHLBank determines the credit limit of a borrower by evaluating a wide variety of factors, including, but not limited to, the borrower's overall creditworthiness and collateral management practices. Most of the FHLBanks impose borrowing limits on borrowers within a maximum range of between 35 to 55 percent of a borrower's total assets.

At September 30, 2008, 36 individual FHLBank members held advance balances of at least $5 billion. In the aggregate, these advances represented approximately 57 percent of total FHLBank advances outstanding at September 30, 2008, with collateralization ratios (i.e., a member's eligible collateral divided by that member's advances outstanding) ranging from 1.25 to 3.27 (weighted-average collateralization ratio of 1.78). Eligible collateral values include (a) market values for private-label and agency securities and (b) the unpaid principal balance for all other collateral pledged by delivery, specific identification or blanket lien. At September 30, 2008, approximately 52 percent of these 36 individual FHLBank members' eligible collateral was pledged by specific identification, with approximately 39 percent pledged in the form of a blanket lien and approximately 9 percent pledged by delivery. The eligible collateral securing these 36 individual FHLBank members' advances was comprised of residential first mortgages (51 percent), home equity lines of credit/second mortgages (18 percent), private-label and government/agency securities (18 percent), commercial real estate (9 percent) and other collateral (4 percent) comprising the remainder.

All borrower obligations to the FHLBanks are secured with eligible collateral, the value of which is discounted to protect the FHLBanks from default in adverse circumstances. Collateral discounts, or haircuts, used in determining lending values of the collateral are calculated to estimate that the lending value of collateral securing each borrower's obligations exceeds the amount the borrower may borrow from the FHLBanks. The following collateral lending values have been combined for the blanket, listing and delivery methods of pledging collateral and range across the 12 FHLBanks as shown below. Collateral lending values are determined by subtracting the collateral haircut from 100 percent.

Collateral Type	September 30, 2008 Range of Collateral Lending Values
Single-family mortgage loans	45-91%(1)
FHA/VA loans	50-93%(2)
Multifamily mortgage loans	40-80%(3)
U.S. government/U.S. Treasury securities	80-99.5%(4)
U.S. agency securities (including MBS)	54-99%(5)
Non-agency MBS/CMOs	25-98%(6)
Other U.S. government-guaranteed mortgage loans	50-90%(7)
Community financial institution (CFI) collateral (e.g., small-business, small-farm, small-agribusiness loans)	15-67%(8)
Other real estate related collateral (e.g., commercial real estate, construction loans, home equity lines of credit)	25-80%(9)

(1) Most single-family mortgage loan collateral is discounted in the 61%-85% range.

(2) Most FHA/VA loan collateral is discounted in the 67%-93% range.

(3) Most multifamily mortgage loan collateral is discounted in the 50%-80% range.

(4) Most U.S. government/U.S. Treasury securities collateral is discounted in the 87%-99% range.

(5) Most U.S. agency securities collateral is discounted in the 87%-98% range.

(6) Most non-agency MBS/CMO collateral is discounted in the 75%-93% range, with the highest end of the range assigned to AAA-rated securities.

(7) Most other U.S. government-guaranteed mortgage loan collateral is discounted in the 50%-90% range.

(8) Most CFI collateral is discounted in the 22%-60% range.

(9) Most other real estate related collateral is discounted in the 40%-74% range.

No FHLBank has ever experienced a credit loss on an advance. However, the expanded eligible collateral for community financial institutions and lending to non-member housing associates increases the credit risk to the FHLBanks. Advances to community financial institutions secured with expanded eligible collateral represented approximately $12.8 billion of the total $1.0 trillion of advances outstanding at par value at September 30, 2008. Advances to housing associates represented $246 million of the total $1.0 trillion of advances outstanding at par value at September 30, 2008.

In light of the deterioration in the housing and mortgage markets, the FHLBanks continue to evaluate and make changes to their collateral guidelines when reviewing their borrowers' financial condition to further mitigate the credit risk of advances. The management of each FHLBank believes it has adequate policies and procedures in place to manage its credit risk on advances effectively. For additional information related to the FHLBanks' advances collateral/lending policies, refer to the Federal Home Loan Banks' 2007 Combined Financial Report and each individual FHLBank's Form 10-K filed with the SEC.

Investments. In order to minimize credit risk on investments, the FHLBanks are required to operate within certain statutory and regulatory limits that are described in the Federal Home Loan Banks' 2007 Combined Financial Report. The FHLBanks further mitigate credit risk on investment securities by investing in highly-rated investment securities. At September 30, 2008 and December 31, 2007, 97.52 percent and 99.96 percent of all investments held by the FHLBanks in mortgage-backed securities were rated triple-A.

Investment Securities Ratings(1)
(Dollar amounts in millions)

	September 30, 2008*		December 31, 2007**	
Investment Rating	Amount	Percentage of Total Investments	Amount	Percentage of Total Investments
Long-term rating				
Triple-A	$181,360	82.7%	$155,222	73.7%
Double-A	17,073	7.8%	27,950	13.3%
Single-A	9,293	4.2%	11,772	5.6%
Triple-B	795	0.4%		
Below investment grade	654	0.3%		
Short-term rating				
A-1 or higher/P-1	6,898	3.1%	15,311	7.3%
Unrated investment securities	3,311	1.5%	185	0.1%
Total	$219,384	100.0%	$210,440	100.0%

(1) This table reflects the effects of the certificates of deposit and bank notes reclassifications from interest-bearing deposits to held-to-maturity securities during the third quarter of 2008. The certificates of deposit and bank notes were primarily rated double-A or single-A at September 30, 2008 and December 31, 2007, which resulted in a lower percentage of total investments rated triple-A for both periods as compared to the same data reported in prior combined financial reports. (See Note 1 to the accompanying combined financial statements.)

* This chart does not reflect any changes in rating, outlook or watch status occurring after September 30, 2008. The ratings were obtained from S&P, Moody's and/or Fitch.

** This chart does not reflect any changes in rating, outlook or watch status occurring after December 31, 2007. The ratings were obtained from S&P, Moody's and/or Fitch.

Investment Securities
Downgraded and/or Placed on Negative Watch
from October 1, 2008 through December 1, 2008
(Dollar amounts in millions)

	Based on Carrying Values as of September 30, 2008		
	Downgraded and Stable	**Downgraded and Placed on Negative Watch**	**Not Downgraded but Placed on Negative Watch**
Private-label residential MBS (RMBS):			
Percentage of total private-label RMBS	5%	0%(1)	4%
Amount of private-label RMBS rated below investment grade	$ 748	$ —	$ —
Private-label commercial MBS (CMBS):			
Percentage of total private-label CMBS	0%(1)	0%(1)	0%
Home equity loan investments:			
Percentage of total home equity loan investments	52%	1%	0%(1)
Amount of home equity loan investments rated below investment grade	$ 270	$ —	$ —
Manufactured housing loans:			
Percentage of total manufactured housing loans	90%	0%	0%
Total private-label RMBS and CMBS, home equity loan investments and manufactured housing loans:			
Percentage of total investment securities	2%	0%(1)	1%
Amount of total private-label RMBS and CMBS, home equity loan investments and manufactured housing loans rated below investment grade	$1,018	$ —	$ —
Total non-MBS:			
Percentage of total investment securities	0%(1)	0%(1)	0%(1)

(1) Represents less than one-half of one percent.

Of the $219.4 billion of total investment securities held by the FHLBanks at September 30, 2008, a total of $1.672 billion of MBS investments was rated below investment grade as of December 1, 2008. As noted in the previous two tables, $654 million of this amount was rated below investment grade at September 30, 2008, and an additional $1.018 billion was downgraded to below investment grade from October 1, 2008 through December 1, 2008.

As of September 30, 2008, approximately 94.8 percent of the FHLBanks' mortgage-backed securities are classified as held-to-maturity and the FHLBanks have the ability and intent to hold these mortgage-backed securities until maturity. Each FHLBank actively monitors the credit quality of its mortgage-backed securities and at this time does not expect further credit losses that would have a material adverse effect on its financial condition other than the other-than-temporary impairment losses recorded by the FHLBanks of Atlanta, Chicago and Seattle. The FHLBank of Atlanta recognized an other-than-temporary impairment loss of $87 million for the three and nine months ended September 30, 2008 related to three private-label MBS in its held-to-maturity securities portfolio. The FHLBank of Chicago recorded a $9 million and $72 million other-than-temporary impairment loss for the three and nine months ended September 30, 2008. The FHLBank of Seattle recognized an other-than-temporary impairment loss of $50 million for the three and nine months ended September 30, 2008. If delinquency and/or loss rates on mortgages and/or home equity loans continue to increase, and/or a rapid decline in

residential real estate values continues, more FHLBanks could experience reduced yields or additional losses on their investment securities.

At September 30, 2008, the carrying values of the FHLBanks' total private-label RMBS, private-label CMBS and home equity loan investments reported on the Combined Statement of Condition were $73.5 billion, $1.3 billion and $2.2 billion. The following table presents private-label RMBS and CMBS and home equity loan instruments based on classification as determined by the originator at the time of origination. The investment ratings are as of September 30, 2008. Of the total unpaid principal balance of private-label RMBS and CMBS and home equity loan investments, prime represented 57 percent, Alt-A represented 40 percent and subprime represented 3 percent; these classifications were determined by the originator at the time of origination. Of the $173.1 billion in mortgage-backed securities investments held by the FHLBanks at September 30, 2008, less than 2 percent were categorized as subprime by the originator at the time of origination.

Unpaid Principal Balance of Private-Label Mortgage-Backed Securities and Home Equity Loan Investments by Year of Securitization
At September 30, 2008
(Dollar amounts in millions)

	Prime (1)						
Year of Securitization	Triple-A	Double-A	Single-A	Triple-B	Below Investment Grade	Unrated	Total
Private-label RMBS:							
2008	$ 840	$	$	$	$	$	$ 840
2007	5,936	183	50		160		6,329
2006	7,408	320	146				7,874
2005	7,479						7,479
2004	10,620						10,620
2003 and prior	9,838	1					9,839
Total	42,121	504	196		160		42,981
Home equity loan investments:							
2008							
2007							
2006							
2005							
2004							
2003 and prior		4	2	1	4		11
Total		4	2	1	4		11
Private-label CMBS:							
2008							
2007							
2006							
2005							
2004							
2003 and prior	1,313		9				1,322
Total	1,313		9				1,322
Total private-label RMBS and CMBS and home equity loan investments	$43,434	$508	$207	$ 1	$164	$	$44,314

Unpaid Principal Balance of Private-Label Mortgage-Backed Securities and Home Equity Loan Investments by Year of Securitization (continued)
At September 30, 2008
(Dollar amounts in millions)

	Alt-A (1)						
Year of Securitization	Triple-A	Double-A	Single-A	Triple-B	Below Investment Grade	Unrated	Total
Private-label RMBS:							
2008	$ 1,192	$	$	$	$	$	$ 1,192
2007	7,827	266	378	208	197		8,876
2006	4,735	539	322	276	188		6,060
2005	9,458	68		34	10		9,570
2004	2,473						2,473
2003 and prior	2,717		4				2,721
Total	28,402	873	704	518	395		30,892
Home equity loan investments:							
2008							
2007							
2006	25						25
2005		6					6
2004		17	21		5		43
2003 and prior							
Total	25	23	21		5		74
Private-label CMBS:							
2008							
2007							
2006							
2005							
2004							
2003 and prior							
Total							
Total private-label RMBS and CMBS and home equity loan investments	$28,427	$896	$725	$518	$400	$	$30,966

Unpaid Principal Balance of Private-Label Mortgage-Backed Securities and Home Equity Loan Investments by Year of Securitization (continued)
At September 30, 2008
(Dollar amounts in millions)

	Subprime (1)						
Year of Securitization	Triple-A	Double-A	Single-A	Triple-B	Below Investment Grade	Unrated	Total
Private-label RMBS:							
2008	$	$	$	$	$	$	$
2007							
2006							
2005							
2004							
2003 and prior	11	25					36
Total	11	25					36
Home equity loan investments:							
2008							
2007	10						10
2006	540	285	245	18	153		1,241
2005	227						227
2004	7		6			4	17
2003 and prior	428	267	47	5		3	750
Total	1,212	552	298	23	153	7	2,245
Private-label CMBS:							
2008							
2007							
2006							
2005							
2004							
2003 and prior							
Total							
Total private-label RMBS and CMBS and home equity loan investments	$1,223	$577	$298	$23	$153	$7	$2,281

(1) Based on classification as determined by the originator at the time of origination.

The following table represents a comparison of the 60-plus days or more delinquency rates for subprime, Alt-A and prime loans backing private-label MBS at September 30, 2008, and other-than-temporary impairment charges taken on these securities for the nine months ended September 30, 2008.

Other-Than-Temporary-Impairments (OTTI) and Delinquency Rates of Private-Label Mortgage-Backed Securities and Home Equity Loan Investments by Year of Securitization At September 30, 2008

(Dollar amounts in millions)

	Prime (1)				
Year of Securitization	Amortized Cost	Gross Unrealized Losses	Fair Value	YTD OTTI Charge Taken	Weighted-Average Delinquency Rate
Private-label RMBS:					
2008	$ 847	$ (118)	$ 729	$	2.7%
2007	6,287	(1,034)	5,253	13	3.7%
2006	7,779	(1,163)	6,616	41	4.1%
2005	7,447	(1,036)	6,411		3.0%
2004	10,598	(937)	9,660		1.4%
2003 and prior	9,795	(832)	8,963		0.7%
Total	42,753	(5,120)	37,632	54	
Home equity loan investments:					
2008					
2007					
2006					
2005					
2004					
2003 and prior	11	(4)	7		20.7%
Total	11	(4)	7		
Private-label CMBS:					
2008					
2007					
2006					
2005					
2004					
2003 and prior	1,323	(14)	1,311		0.7%
Total	1,323	(14)	1,311		
Total private-label RMBS and CMBS and home equity loan investments	$44,087	$(5,138)	$38,950	$54	

Other-Than-Temporary-Impairments (OTTI) and Delinquency Rates of Private-Label Mortgage-Backed Securities and Home Equity Loan Investments by Year of Securitization (continued) At September 30, 2008

(Dollar amounts in millions)

	Alt-A (1)				
Year of Securitization	Amortized Cost	Gross Unrealized Losses	Fair Value	YTD OTTI Charge Taken	Weighted-Average Delinquency Rate
Private-label RMBS:					
2008	$ 1,191	$ (118)	$ 1,073	$	4.4%
2007	8,824	(2,768)	6,056	33	15.0%
2006	6,013	(1,875)	4,138	43	21.2%
2005	9,574	(2,339)	7,235	7	9.6%
2004	2,485	(431)	2,054		5.0%
2003 and prior	2,726	(373)	2,353		2.4%
Total	30,813	(7,904)	22,909	83	
Home equity loan investments:					
2008					
2007					
2006	25	(5)	20		2.1%
2005	6	(2)	4		0.1%
2004	43	(19)	24		8.0%
2003 and prior					
Total	74	(26)	48		
Private-label CMBS:					
2008					
2007					
2006					
2005					
2004					
2003 and prior					
Total					
Total private-label RMBS and CMBS and home equity loan investments	$30,887	$(7,930)	$22,957	$83	

Other-Than-Temporary-Impairments (OTTI) and Delinquency Rates of Private-Label Mortgage-Backed Securities and Home Equity Loan Investments by Year of Securitization (continued) At September 30, 2008

(Dollar amounts in millions)

	Subprime (1)				
Year of Securitization	Amortized Cost	Gross Unrealized Losses	Fair Value	YTD OTTI Charge Taken (2)	Weighted-Average Delinquency Rate
Private-label RMBS:					
2008	$	$	$	$	
2007					
2006					
2005					
2004					
2003 and prior	36	(6)	30		6.3%
Total	36	(6)	30		
Home equity loan investments:					
2008					
2007	9	(2)	7		27.2%
2006	1,084	(152)	937	72	37.3%
2005	222	(11)	211		39.7%
2004	16	(3)	13		13.5%
2003 and prior	749	(203)	546		13.1%
Total	2,080	(371)	1,714	72	
Private-label CMBS:					
2008					
2007					
2006					
2005					
2004					
2003 and prior					
Total					
Total private-label RMBS and CMBS and home equity loan investments	$2,116	$(377)	$1,744	$72	

(1) Based on classification as determined by the originator at the time of origination.

(2) Does not include effect of the FHLBank of Chicago's application of EITF 99-20, *Recognition of Interest Income and Impairment on Purchased Beneficial Interest and Beneficial Interest That Continue to Be Held by a Transferor in Securitized Financial Assets* (EITF 99-20) for certain securities where it has recognized other-than-temporary impairment for which the credit rating may be double-A or higher. The EITF requires, among other things, that any subsequent favorable or adverse change in estimated cash flows needs to be accounted for as a prospective yield adjustment to these securities. As a result, the FHLBank of Chicago recognized accretion into net interest income of $3 million during the nine months ended September 30, 2008.

Many FHLBanks' investment policies require credit enhancements or supplemental bond insurance at a level beyond that required to receive a triple-A credit rating for non-agency mortgage-backed securities. Credit enhancement is defined as the percentage of subordinated tranches and over-collateralization, if any, in a security structure that will absorb losses before the security will take a loss. In many cases, the FHLBanks' private-label RMBS and home equity loan investments are supported by some level of credit enhancement or supplemental bond insurance.

The following table shows the FHLBanks' private-label mortgage-backed securities and home equity loan investments covered by monoline insurance and related gross unrealized losses at September 30, 2008.

Monoline Insurance Coverage and Related Unrealized Losses of Private-Label Mortgage-Backed Securities and Home Equity Loan Investments by Year of Securitization At September 30, 2008

(Dollar amounts in millions)

	Prime (1)									
	AMBAC Assurance Corp.		Financial Security Assurance, Inc.		MBIA Insurance Corp.		Other		Total	
Year of Securitization	Insurance Coverage	Gross Unrealized Losses	Insurance Coverage	Gross Unrealized Losses	Insurance Coverage	Gross Unrealized Losses	Insurance Coverage	Gross Unrealized Losses	Insurance Coverage	Gross Unrealized Losses
Private-label RMBS:										
2008	$	$	$	$	$	$	$	$	$	$
2007										
2006										
2005										
2004							8	(1)	8	(1)
2003 and prior	1	—	—	—	—	—	—	—	1	—
Total	1	—	—	—	—	—	8	(1)	9	(1)
Home equity loan investments:										
2008										
2007										
2006										
2005										
2004										
2003 and prior	4	(1)	—	—	2	(1)	5	(3)	11	(5)
Total	4	(1)	—	—	2	(1)	5	(3)	11	(5)
Private-label CMBS:										
2008										
2007										
2006										
2005										
2004										
2003 and prior	—	—	—	—	48	(1)	—	—	48	(1)
Total	—	—	—	—	48	(1)	—	—	48	(1)
Total private-label RMBS and CMBS and home equity loan investments	$5	$(1)	$—	$—	$50	$(2)	$13	$(4)	$68	$(7)

Monoline Insurance Coverage and Related Unrealized Losses of Private-Label Mortgage-Backed Securities and Home Equity Loan Investments by Year of Securitization (continued) At September 30, 2008

(Dollar amounts in millions)

	Alt-A (1)									
	AMBAC Assurance Corp.		Financial Security Assurance, Inc.		MBIA Insurance Corp.		Other		Total	
Year of Securitization	Insurance Coverage	Gross Unrealized Losses	Insurance Coverage	Gross Unrealized Losses	Insurance Coverage	Gross Unrealized Losses	Insurance Coverage	Gross Unrealized Losses	Insurance Coverage	Gross Unrealized Losses
Private-label RMBS:										
2008	$	$	$	$	$	$	$	$	$	$
2007	113	(43)	46	(1)					159	(44)
2006	21	(4)							21	(4)
2005	46	(16)							46	(16)
2004										
2003 and prior	2				4				6	
Total	182	(63)	46	(1)	4				232	(64)
Home equity loan investments:										
2008										
2007										
2006			25	(5)					25	(5)
2005	6	(2)							6	(2)
2004	17	(7)			21	(9)	5	(2)	43	(18)
2003 and prior										
Total	23	(9)	25	(5)	21	(9)	5	(2)	74	(25)
Private-label CMBS:										
2008										
2007										
2006										
2005										
2004										
2003 and prior										
Total										
Total private-label RMBS and CMBS and home equity loan investments	$205	$(72)	$71	$(6)	$25	$(9)	$5	$(2)	$306	$(89)

Monoline Insurance Coverage and Related Unrealized Losses of Private-Label Mortgage-Backed Securities and Home Equity Loan Investments by Year of Securitization (continued) At September 30, 2008

(Dollar amounts in millions)

	Subprime (1)									
	AMBAC Assurance Corp.		Financial Security Assurance, Inc.		MBIA Insurance Corp.		Other		Total	
Year of Securitization	Insurance Coverage	Gross Unrealized Losses	Insurance Coverage	Gross Unrealized Losses	Insurance Coverage	Gross Unrealized Losses	Insurance Coverage	Gross Unrealized Losses	Insurance Coverage	Gross Unrealized Losses
Private-label RMBS:										
2008	$	$	$	$	$	$	$	$	$	$
2007										
2006										
2005										
2004										
2003 and prior										
Total										
Home equity loan investments:										
2008										
2007										
2006										
2005										
2004							10	(2)	10	(2)
2003 and prior	267	(92)	103	(11)	64	(20)	8	(3)	442	(126)
Total	267	(92)	103	(11)	64	(20)	18	(5)	452	(128)
Private-label CMBS:										
2008										
2007										
2006										
2005										
2004										
2003 and prior										
Total										
Total private-label RMBS and CMBS and home equity loan investments	$267	$(92)	$103	$(11)	$64	$(20)	$18	$(5)	$452	$(128)

(1) Based on classification as determined by the originator at the time of origination.

The following table provides the credit ratings of the third-party insurers as of December 1, 2008.

Monoline Insurance Credit Ratings and Outlook As of December 1, 2008

	Moody's		S&P		Fitch	
	Credit Rating	Outlook	Credit Rating	Outlook	Credit Rating	Outlook
AMBAC Assurance Corporation	Baa1	Developing	A	Negative	Not Rated	Not Rated
Financial Security Assurance, Inc.	Aa3	Developing	AAA	Negative Watch	AAA	Negative
MBIA Insurance Corporation	Baa1	Developing	AA	Negative	Not Rated	Not Rated
XL Capital Assurance, Inc. (Syncora)	Caa1	RUR(1)	B	Watch Developing	Not Rated	Not Rated
Financial Guaranty Insurance Company (FGIC) (2)	B1	RUR(1)	CCC	Negative	Not Rated	Not Rated
Fannie Mae/Freddie Mac	Aaa	Stable	AAA	Stable	AAA	Stable

(1) Under review with direction uncertain.

(2) On November 24, 2008, Fitch withdrew its rating of FGIC.

The following table represents the FHLBanks' exposure to unsecured credit at September 30, 2008 and December 31, 2007.

Unsecured Credit Exposure
(Dollar amounts in billions)

	September 30, 2008	December 31, 2007	Decrease $	Decrease %
Unsecured credit exposure of FHLBanks to counterparties, excluding U.S. government, U.S. government agencies, and instrumentalities (1)	$125.2	$139.9	$(14.7)	(10.5)%
Maturities of unsecured credit exposure:				
Overnight	63.6%	46.4%		
2-30 days	27.4%	27.3%		
31-90 days	8.5%	24.0%		
91-270 days	0.5%	2.3%		

(1) Included in this total at September 30, 2008 is unsecured credit exposure of $1.2 billion to Citibank, N.A. In addition to the unsecured credit exposure included in the table above, Citibank, N.A. had advances totaling $83.5 billion from the FHLBanks of San Francisco, New York and Dallas at September 30, 2008.

Most of this unsecured credit exposure was related to Federal funds sold and commercial paper (dollar amounts in millions):

	September 30, 2008	December 31, 2007	Increase (Decrease) $	Increase (Decrease) %
Federal funds sold	$94,331	$85,818	$ 8,513	9.9%
Commercial paper	3,204	7,197	(3,993)	(55.5)%

At September 30, 2008, the FHLBanks had aggregate unsecured credit exposure of $104.6 billion or more to each of 45 counterparties. The aggregate unsecured credit exposure to these 45 counterparties represented 83.6 percent of the FHLBanks' unsecured credit exposure to non-government counterparties.

Mortgage Loans Held for Portfolio.

MPF. The FHLBanks' MPF Program uses eight mortgage insurance companies to provide both primary mortgage insurance (PMI) and supplemental mortgage insurance (SMI) under its various programs. The MPF FHLBanks closely monitor the financial condition of these mortgage insurers. On June 30, 2008 the MPF guides were revised so that PMI for MPF loans with a note date after July 31, 2008 must be issued by a mortgage insurance company on the approved mortgage insurance company list whenever PMI coverage is required. Triad Guaranty Insurance Company, which ceased issuing new insurance effective July 15, 2008, was removed from the approved mortgage insurance company list. All SMI providers are required to maintain a credit rating of AA- or better by at least one NRSRO and are reviewed at least annually by the individual FHLBank's credit risk committee or more frequently as circumstances warrant. The FHLBanks offering the MPF Program have recently established a set of financial criteria for further monitoring the financial condition of the mortgage insurance companies.

As of December 1, 2008, most of the FHLBanks' mortgage insurance providers have had their external ratings for claims-paying ability or insurer financial strength downgraded below AA- by one or more NRSROs. Rating downgrades imply an increased risk that these mortgage insurers will fail to fulfill their obligations to reimburse the FHLBanks for claims under insurance policies. If a mortgage insurer fails to fulfill its obligations, the FHLBanks may bear any remaining loss of the borrower default on the related mortgage loans not covered by the member. The FHLBanks have analyzed their potential loss

exposure to all mortgage insurance providers and have not increased their loan loss reserves due to the aforementioned rating agency actions, but they will continue to monitor the financial condition of their mortgage insurance providers. As of September 30, 2008, most of the SMI providers' insurance strength has been downgraded by at least one NRSRO to below AA-. The FHLBank of Chicago has requested all of the downgraded mortgage insurance companies to provide remediation plans. In the third quarter 2008 each of the participating financial institutions with MPF Plus master commitments with SMI coverage from Mortgage Guaranty Insurance Co., PMI Mortgage Insurance Co., or Radian was notified that it would need to either replace the SMI policy or provide its own undertaking equivalent to the SMI coverage, or it will forfeit its performance based CE fees.

The following table summarizes the MPF FHLBanks' credit exposure (dollar amounts in millions) to their mortgage insurance providers based upon PMI and SMI credit exposure as of September 30, 2008. Credit exposure is defined as the total of PMI and SMI coverage written by a mortgage insurance company on MPF loans held by an MPF FHLBank that are 60 days or more delinquent.

	MI Ratings (Moody's/S&P/ Fitch) as of December 1, 2008	As of September 30, 2008			
		PMI	SMI	Total	Percentage of Total
Mortgage Guaranty Insurance Co.	A1/A/A-	$ 6	$26	$ 32	28%
Genworth Mortgage Insurance Co. (Genworth)	Aa3/AA-/(1)	4	26	30	26%
United Guaranty Residential Insurance	Aa3/A-/AA-	3	14	17	15%
PMI Mortgage Insurance Co.	A3/A-/BBB+	3	13	16	14%
Republic Mortgage Insurance Co. (RMIC)	A1/A+/A+	4	9	13	11%
Other		4	2	6	5%
Total MI Coverage		$24	$90	$114	100%

(1) On November 20, 2008, Fitch withdrew its ratings of Genworth and will no longer provide ratings or analytical coverage of this insurer.

MPP. The FHLBanks' MPP Programs also use mortgage insurance companies to provide PMI and SMI. If a PMI provider is downgraded, an FHLBank may request the servicer to obtain replacement PMI coverage with a different provider. If an SMI provider is downgraded below AA- subsequent to the purchase of mortgage loans, Finance Agency regulations require an MPP FHLBank to re-evaluate the covered mortgage loans for deterioration in credit quality and to allocate risk-based capital to cover any potential loan quality issues. The MPP FHLBanks continue to closely monitor the financial condition of their mortgage insurers. The MPP FHLBanks have either discontinued obtaining coverage on new loans from the mortgage insurance providers that have been downgraded below AA- and are already using supplemental providers, or continue to evaluate the need for alternative insurance on their mortgage loan portfolios and reviewing other options that may be available, including obtaining regulatory relief. To date, rating agency downgrades have not had a material effect on the operation of the FHLBanks' MPP programs.

The following table summarizes the MPP FHLBanks' credit exposure (dollar amounts in millions) to their mortgage insurance providers based upon PMI and SMI credit exposure as of September 30, 2008. Credit exposure is defined as the total of PMI and SMI coverage written by a mortgage insurance company on MPP loans held by an MPP FHLBank that are more than 60 days delinquent. This is a conservative measure since most delinquent loans never go to claim and other credit protection layers (such as borrower equity and lender risk account) are called upon before insurance claims are made.

	MI Ratings (Moody's/S&P/ Fitch) As of December 1, 2008	As of September 30, 2008			
		PMI	SMI	Total	Percentage of Total
Mortgage Guaranty Insurance Co.	A1/A/A-	$2	$25	$27	77%
Genworth	Aa3/AA-/(1)	1	3	4	11%
PMI Mortgage Insurance Co.	A3/A-/BBB+	1		1	3%
United Guaranty Residential Insurance	Aa3/A-/AA-	1		1	3%
RMIC (2)	A1/A+/A+				0%
All others		2		2	6%
Total MI Coverage		$7	$28	$35	100%

(1) On November 20, 2008, Fitch withdrew its ratings of Genworth and will no longer provide ratings or analytical coverage of this insurer.

(2) MPP FHLBanks total exposure to RMIC was less than $1 million as of September 30, 2008.

The following tables set out the geographic concentration of mortgage loans held for portfolio by the FHLBanks. These tables show the geographic concentration on an aggregated basis for all 12 FHLBanks that purchased or funded loans under the MPF Program and MPP. As a result, the tables do not necessarily reflect the actual geographic concentration with respect to each individual FHLBank.

Geographic Concentration of MPF Program (1)(2)

	September 30, 2008	December 31, 2007
Midwest	35%	33%
Northeast	16%	16%
Southeast	19%	20%
Southwest	16%	16%
West	14%	15%
Total	100%	100%

Geographic Concentration of MPP (1)(2)

	September 30, 2008	December 31, 2007
Midwest	37%	35%
Northeast	11%	12%
Southeast	21%	21%
Southwest	15%	15%
West	16%	17%
Total	100%	100%

(1) Calculated percentage based on unpaid principal at the end of each period.

(2) Midwest consists of IA, IL, IN, MI, MN, ND, NE, OH, SD and WI.
Northeast consists of CT, DE, MA, ME, NH, NJ, NY, PA, PR, RI, VI and VT.
Southeast consists of AL, DC, FL, GA, KY, MD, MS, NC, SC, TN, VA and WV.
Southwest consists of AR, AZ, CO, KS, LA, MO, NM, OK, TX and UT.
West consists of AK, CA, GU, HI, ID, MT, NV, OR, WA and WY.

The following tables provide the percentage of unpaid principal balance of conventional mortgage loans held for portfolio outstanding at September 30, 2008 for the ten largest state concentrations. These tables show the state concentration on an aggregated basis for all 12 FHLBanks that purchased or funded loans under the MPF Program and MPP. As a result, the tables do not necessarily reflect the actual state concentration with respect to each individual FHLBank.

State Concentration of MPF Program (1)
September 30, 2008

	Percentage of Conventional Loans - Unpaid Principal Balance
Wisconsin	13%
California	11%
Illinois	9%
Minnesota	5%
Pennsylvania	4%
Texas	4%
New York	4%
Florida	3%
Massachusetts	3%
Virginia	3%
All other	41%
	100%

State Concentration of MPP Program (1)
September 30, 2008

	Percentage of Conventional Loans - Unpaid Principal Balance
Ohio	15%
California	12%
Indiana	8%
Michigan	6%
Illinois	5%
Texas	5%
Florida	4%
Georgia	3%
Pennsylvania	3%
Virginia	3%
All other	36%
	100%

(1) Calculated percentage based on unpaid principal of conventional loans at the end of the period.

The FHLBanks' MPF loans held for portfolio are dispersed across all 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. No single zip code represented more than one

percent of MPF loans outstanding at September 30, 2008. The median size of an MPF loan was approximately $109 thousand at September 30, 2008. The MPF loan statistics have been compiled and obtained from the FHLBank of Chicago and therefore do not reflect the concentration levels and mortgage loan portfolio information at individual MPF FHLBanks.

The FHLBanks' MPP mortgage loans held for portfolio are dispersed across all 50 states, the District of Columbia, and the U.S. Virgin Islands. No single zip code accounted for more than one percent of MPP loans outstanding at September 30, 2008. The median size of an MPP loan was approximately $142 thousand at September 30, 2008. The MPP mortgage loan statistics have been compiled on a combined basis by aggregating each participating FHLBank's information and therefore do not reflect the concentration levels and mortgage loan portfolio information at individual participating FHLBanks.

The following table provides the weighted-average FICO® scores and weighted-average loan-to-value ratios at origination for MPF loans and MPP conventional loans outstanding at September 30, 2008 and December 31, 2007:

	September 30, 2008		December 31, 2007	
	MPF	MPP	MPF	MPP
Weighted-average FICO® score at origination (1)	739	749	738	748
Weighted-average loan-to-value at origination	67%	69%	67%	69%

(1) FICO® score is a widely-used credit industry model developed by Fair, Isaac and Company, Inc. to assess borrower credit quality with scores ranging from 150 to 950.

The MPF loan statistics were compiled and obtained from the FHLBank of Chicago and MPP mortgage loan statistics were compiled on a combining basis by aggregating each participating MPP FHLBank's information; therefore, they do not reflect the weighted-average FICO® score and weighted-average loan-to-value ratio at origination at individual participating FHLBanks.

Derivatives and Counterparty Ratings. In addition to market risk, each FHLBank is subject to credit risk because of the potential non-performance by counterparties to derivative agreements. The amount of counterparty credit risk on derivatives depends on the extent to which netting procedures, collateral requirements and other credit enhancements are used to mitigate the risk. Each FHLBank manages counterparty credit risk through credit analysis, collateral management and other credit enhancements. The FHLBanks are also required to follow the requirements set forth by applicable regulation. The FHLBanks require collateral on interest-rate exchange agreements. The amount of net unsecured credit exposure that is permissible with respect to each counterparty, before a collateral requirement is triggered, depends on the credit rating of that counterparty. A counterparty must deliver collateral to an FHLBank if the total market value of the FHLBank's exposure to that counterparty rises above a specific trigger point. As a result of these risk mitigation initiatives, the management of each FHLBank does not anticipate any credit losses on its interest-rate exchange agreements. As a result of the interest rate decline from December 31, 2007 to September 30, 2008, the gross credit exposure of the FHLBanks grew, as their net receivable position increased. Additional collateral to reduce the net credit exposure was delivered subsequent to September 30, 2008. For additional discussion regarding derivatives and counterparty ratings, including losses to LBHI and LBSF and any concentrations, please refer to each FHLBank's periodic report filed with the SEC. Also see "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations—Results of Operations" for a discussion about LBSF and LBHI with respect to derivative contracts with the FHLBanks.

The contractual or notional amount of interest-rate exchange agreements reflects the involvement of an FHLBank in the various classes of financial instruments. The maximum credit risk of an FHLBank with respect to interest-rate exchange agreements is the estimated cost of replacing interest-rate swaps, forward agreements and purchased caps and floors if the counterparty defaults, *minus* the value of any related collateral. In determining maximum credit risk, the FHLBanks consider, with respect to each counterparty, accrued interest receivables and payables as well as the legal right to offset assets and liabilities.

Derivative Counterparty Credit Exposure
(Dollar amounts in millions)
At September 30, 2008

Credit Rating*	Notional Amount	Total Net Exposure at Fair Value	Total Net Exposure Collateralized	Net Exposure After Collateral
Triple-A	$ 10,733	$ 1	$	$ 1
Double-A	856,749	1,970	1,699	271
Single-A	159,442	222	199	23
Triple-B	13,057	37	33	4
Unrated (1)	35			
	1,040,016	2,230	1,931	299
Intermediaries (2)	1,950	4	4	
Delivery commitments	532	1		1
Total derivatives	$1,042,498	$2,235	$1,935	$300

At December 31, 2007

Credit Rating**	Notional Amount	Total Net Exposure at Fair Value	Total Net Exposure Collateralized	Net Exposure After Collateral
Triple-A	$ 9,606	$ 6	$	$ 6
Double-A	723,157	1,959	1,341	618
Single-A	224,762	436	352	84
Triple-B	9			
Unrated (1)	39			
	957,573	2,401	1,693	708
Intermediaries (2)	1,375	10	10	
Delivery commitments	214	1	1	
Total derivatives	$959,162	$2,412	$1,704	$708

* This chart does not reflect any changes in rating, outlook or watch status occurring after September 30, 2008. The ratings were obtained from S&P, Moody's and/or Fitch.

** This chart does not reflect any changes in rating, outlook or watch status occurring after December 31, 2007. The ratings were obtained from S&P, Moody's and/or Fitch.

(1) Represents one broker-dealer utilized to purchase or sell forward contracts relating to TBA MBS to hedge the market value of commitments on fixed-rate mortgage loans. All broker-dealer counterparties are subjected to thorough credit review procedures in accordance with an FHLBank's risk management policy. There was less than $1 million of exposure at September 30, 2008 and no exposure at December 31, 2007 related to this unrated counterparty.

(2) Collateral held with respect to interest-rate exchange agreements with member institutions represents either collateral physically held by or on behalf of the FHLBank or collateral pledged to the FHLBank under a blanket lien or by specific identification, as evidenced by a written security agreement, and held by the member institution for the benefit of that FHLBank.

Excluding fully collateralized interest-rate exchange agreements in which the FHLBanks are intermediaries for members, 98.7 percent of the notional amount of the FHLBanks' outstanding interest-rate exchange agreements are with counterparties rated single-A or higher.

LEGAL PROCEEDINGS

The FHLBanks are subject to various pending legal proceedings arising in the normal course of business. The FHLBanks and the Office of Finance are not a party to, nor are they subject to, any pending legal proceeding that is likely to have a material adverse effect on the results of operations or financial condition of the FHLBanks, or is otherwise material to the FHLBanks.

See "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations—Results of Operations" for discussion about LBSF and LBHI with respect to derivative contracts with the FHLBanks.

RISK FACTORS

This item is intended to update the risk factors set forth in the Federal Home Loan Banks' 2007 Combined Financial Report. Each FHLBank describes risk factors it faces in its business in its periodic reports filed with the SEC. (See "Available Information on Individual FHLBanks.")

Some FHLBanks are subject to increased credit and liquidity risk exposures related to mortgage loans that back their MBS investments, and any increased delinquency rates and credit losses could adversely affect the yield on or value of their MBS investments.

In recent months, delinquencies and losses with respect to residential mortgage loans generally have increased, particularly in the nonprime sector, including subprime and alternative documentation loans. In addition, residential property values in many states have declined or remained stable, after extended periods during which those values appreciated. If delinquency and/or default rates on mortgages continue to increase, and/or there is a rapid decline in residential real estate values, FHLBanks could experience reduced yields or losses on their MBS investments. In addition, market prices for many of the private-label MBS the FHLBanks hold have deteriorated since year-end due to market uncertainty and illiquidity. The significant widening of credit spreads that has occurred since December 31, 2007 further reduced the fair value of the FHLBanks' MBS portfolios. As a result, FHLBanks could experience other-than-temporary impairment on certain investment securities in the future, which could result in significant losses. Furthermore, market illiquidity has increased the amount of management judgment required to value private-label MBS and certain other securities owned by the FHLBanks. Subsequent valuations may result in significant changes in the value of private-label MBS and other investment securities. If an FHLBank decides to sell securities due to credit deterioration, the price an FHLBank may ultimately realize will depend on the demand and liquidity in the market at the time and may be materially lower than the fair value reflected in that FHLBank's financial statements.

The FHLBanks' funding depends on their ability to access the capital markets.

The FHLBanks' primary source of funds is the sale of consolidated obligations in the capital markets, including the short-term discount note market. The FHLBanks' ability to obtain funds through the sale of consolidated obligations depends in part on prevailing conditions in the capital markets (including investor demand), such as the effects of the reduction of liquidity in financial markets, which are beyond the FHLBanks' control. The severe financial and economic disruptions, and the U.S. government's dramatic measures enacted to mitigate their effects, have changed the traditional bases on which market participants value GSE debt securities and consequently have affected the FHLBanks' funding costs and practices. During the second and third quarters of 2008, the FHLBanks' funding costs associated with issuing long-term consolidated obligations—bonds became more volatile and rose sharply compared to LIBOR and U.S. Treasury securities, reflecting dealers' reluctance to sponsor, and investors' current reluctance to buy longer-term GSE debt, coupled with strong investor demand for high-quality, short-term debt instruments, such as U.S. Treasury securities and FHLBank consolidated obligations—discount notes. As a result, the FHLBanks generally decreased their term money market holdings and maintained the bulk of their liquidity in overnight investments. The FHLBanks have also

become more reliant on the issuance of consolidated obligations—discount notes, with maturities of one year or less, for funding. Any significant disruption in the short-term debt markets could have a serious effect on the FHLBanks. If these conditions continued indefinitely, the FHLBanks may not be able to obtain funding on acceptable terms and the higher cost of longer-term liabilities would likely cause the FHLBanks to further increase advance rates, which could adversely affect demand for advances and, in turn, the FHLBanks' results of operations. Alternatively, continuing to fund longer-term assets with very short-term liabilities could adversely affect the FHLBanks' results of operations if the cost of those short-term liabilities rises to levels above the yields on the assets being funded. If the FHLBanks cannot access funding when needed on acceptable terms, their ability to support and continue their operations could be adversely affected, which could negatively affect their financial condition and results of operations, and the value of FHLBank membership.

Changes in the regulation of GSEs or the FHLBanks' status as GSEs may adversely affect the FHLBanks' business activities, future advance balances, the cost of debt issuance, and the value of FHLBank membership.

GSEs, such as Fannie Mae, Freddie Mac, and the FHLBanks, have grown significantly in recent years. As a result of this growth, these GSEs have actively issued debt securities to fund their operations. In addition, negative accounting and other announcements by Fannie Mae and Freddie Mac have created pressure on debt pricing, as investors have perceived GSE debt instruments as bearing increased risk. Furthermore, the FHLBanks' funding costs and access to funds could be adversely affected by changes in investors' perception of the systemic risks associated with the housing GSEs. In September 2008, in response to investor and financial concerns, the Finance Agency placed Fannie Mae and Freddie Mac into conservatorship and the U.S. Treasury put in place a set of financing agreements to help those GSEs continue to meet their obligations to holders of their debt securities. Although these actions resulted in somewhat decreased spreads on U.S. agency debt, including FHLBank debt relative to U.S. Treasury securities, investor concerns about U.S. agency debt may adversely affect the FHLBanks' competitive position and result in higher funding costs, which could negatively affect the FHLBanks' business and financial condition. The special status of Fannie Mae and Freddie Mac debt securities could result in higher funding costs on FHLBank debt. As a result of these factors, the FHLBanks may have to pay a higher rate of interest on consolidated obligations to make them attractive to investors. If the FHLBanks maintain their existing pricing on advances, the resulting increase in the cost of issuing consolidated obligations could cause the FHLBanks' advances to be less profitable and reduce their net interest margins (the difference between the interest rate received on advances and the interest rate paid on consolidated obligations). If the FHLBanks change the pricing of their advances in response to this decrease in net interest margin, the advances may no longer be attractive to their members, and outstanding advances balances may decrease. In either case, the increased cost of issuing consolidated obligations could negatively affect the FHLBanks' financial condition and results of operations, and the value of FHLBank membership.

SUBMISSION OF MATTERS TO VOTE OF CAPITAL STOCKHOLDERS OTHER THAN ELECTION OF DIRECTORS

None.

MARKET FOR FHLBANKS' CAPITAL STOCK AND RELATED STOCKHOLDER MATTERS

As a cooperative, each FHLBank conducts its advances business and acquired member asset programs almost exclusively with its members. There is no established marketplace for the FHLBanks' stock and it is not publicly traded. FHLBank stock is purchased by members at the stated par value of $100 per share and may be redeemed at its stated par value of $100 per share upon the request of a member subject to applicable redemption periods as well as certain conditions and limitations. At September 30, 2008, the FHLBanks had 539 million shares of capital stock outstanding. The FHLBanks are not required to register their securities under the Securities Act of 1933 (as amended). Each FHLBank is an SEC registrant as required by the Housing Act and is subject to certain reporting requirements of the Securities Exchange Act of 1934.

Voting Rights for Election of FHLBank Directors. Members holding capital stock on December 31 of the preceding year can participate in the annual election process for FHLBank directors. Eligible members may nominate and elect representatives from members in their state to serve as "member directors" on the board of directors of their FHLBank. For each directorship to be filled in an election, each member institution that is located in the state to be represented by the directorship is entitled to cast one vote for each share of stock that the member was required to hold at December 31 of the calendar year immediately preceding the election year; provided, however, that the number of votes that any member may cast for any one directorship shall not exceed the average number of shares of stock that were required to be held by all members located in the state to be represented on that date. Eligible members may elect independent directors from among eligible persons nominated by their FHLBank's board of directors after consultation with their FHLBank's Advisory Council. All directors will be elected for four-year terms, unless a shorter term is assigned to achieve statutorily-required staggering.

For a description of recent changes to the law regarding the composition of the boards of directors of the FHLBanks, see "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations—Legislative and Regulatory Developments—Changes to Regulation of GSEs."

Regulatory Capital Stock. The information on capital stock presented in the following table is for individual FHLBank members. The information is not aggregated to the holding-company level of those members. Some of the institutions listed are affiliates of the same holding company and some of the institutions listed have affiliates that are members but that are not listed in the table.

Top 10 Regulatory Capital Stockholders at September 30, 2008 (1) (Dollar amounts in millions)

Name	City	State	Capital Stock
Citibank, N.A.* (2)	Las Vegas	NV	$ 4,667
JPMorgan Chase Bank, N.A. (3)	Columbus	OH	4,097
Countrywide Bank, FSB (4)	Alexandria	VA	1,981
Wachovia Mortgage, FSB* (5)	North Las Vegas	NV	1,557
Wells Fargo Bank, N.A. (5)	Sioux Falls	SD	1,116
Bank of America Rhode Island, N.A.	Providence	RI	1,083
Wachovia Bank, FSB (5)	Houston	TX	1,073
Sovereign Bank* (6)	Reading	PA	914
U.S. Bank, N.A. (7)	Cincinnati	OH	846
Hudson City Savings Bank*	Paramus	NJ	832
			$18,166

* Indicates that an officer or director of the member was an FHLBank director at September 30, 2008.

(1) Includes FHLBank members' capital stock that is considered to be mandatorily redeemable, which is reclassified as a liability in accordance with SFAS 150.

(2) Includes a *de minimis* amount of FHLBank of Dallas capital stock from the merger of Citibank Texas, N.A., a former member of the FHLBank of Dallas, into Citibank, N.A. Also included is a *de minimis* amount of capital stock of the FHLBank of New York.

(3) On September 25, 2008, JPMorgan Chase Bank, N.A., acquired the deposits, assets, and certain liabilities of Washington Mutual Bank and Washington Mutual Bank FSB's banking operations. Washington Mutual Bank is a member of the FHLBank of San Francisco with $3,182 million of capital stock at September 30, 2008 and Washington Mutual Bank FSB is a member of the FHLBank of Seattle with $915 million of capital stock at September 30, 2008. Also includes a *de minimis* amount of FHLBank of Dallas capital stock from the acquisition of Bank United, a former member of the FHLBank of Dallas and a *de minimis* amount of FHLBank of New York capital stock from the acquisition of Dime Savings Bank of New York, FSB, a former member of the FHLBank of New York.

(4) On July 1, 2008, Bank of America Corporation, a member of the FHLBank of Atlanta, completed its acquisition of Countrywide Financial Corporation, the parent of Countrywide Bank, FSB, which is also a member of the FHLBank of Atlanta. Countrywide Bank, FSB has remained a member of the FHLBank of Atlanta since the acquisition.

(5) On October 3, 2008, Wells Fargo & Company (Wells Fargo) announced that it would acquire Wachovia Corporation (Wachovia). Wachovia is the bank holding company of Wachovia Mortgage, FSB, which is a member of the FHLBank of San Francisco; Wachovia Bank, FSB, which is a member of the FHLBank of Dallas; and Wachovia Bank, National Association, which is a member of the FHLBank of Atlanta. Completion of the merger is subject to shareholder approvals by Wachovia and customary approval by regulators. The merger is expected to be completed in the fourth quarter of 2008. Wells Fargo is a nonmember and is the bank holding company of Wells Fargo Bank, N.A., a member of the FHLBank of Des Moines.

(6) Includes $26 million in FHLBank of New York capital stock from the acquisition of Independence Community Bank, a former member of the FHLBank of New York and $4 million in FHLBank of Boston capital stock from the acquisition of former members of the FHLBank of Boston.

(7) Includes $1 million in FHLBank of Des Moines capital stock acquired through a merger with a former member of the FHLBank of Des Moines and $4 million in FHLBank of Seattle capital stock acquired through a merger with a former member of the FHLBank of Seattle.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

Each FHLBank is a cooperative. The members and former members own all the stock of the FHLBanks, the majority of the directors of each FHLBank is elected by and from the membership, and the FHLBanks conduct their advances almost exclusively with members.

Members.

Membership by Type of Member

	Commercial Banks	Thrifts	Credit Unions	Insurance Companies	Total
September 30, 2008	5,858	1,183	936	177	8,154
December 31, 2007	5,818	1,198	907	152	8,075

Membership in an FHLBank is voluntary. A member must give notice of its intent to withdraw. The GLB Act permits each FHLBank to issue one or more of two classes of capital stock, each with sub-classes. Class A capital stock is redeemable on six months' written notice from a member and Class B capital stock is redeemable on five years' written notice from a member. Capital stock outstanding under the pre-GLB Act rules, which only applies to the FHLBank of Chicago at September 30, 2008, is redeemable at the option of a member upon six months' written notice of withdrawal from membership, provided that the FHLBank of Chicago is in compliance with its regulatory capital requirements and the Regulator has approved the redemption. See "Note 9—Capital" to the accompanying combined financial statements for discussions of restrictions placed on the redemption of the FHLBank of Chicago's capital stock. If a member withdraws its membership from an FHLBank, it may not acquire shares of any FHLBank for five years after the date on which its divestiture of capital stock is completed. This restriction does not apply if the member is transferring its membership from one FHLBank to another.

During the first nine months ended September 30, 2008, 11 FHLBank members withdrew from membership for reasons other than merger or acquisition and 26 members gave notice of intent to withdraw from membership for reasons other than merger or acquisition. None of the affected FHLBanks

expect these withdrawals to have a material adverse effect on its results of operations or financial condition.

Regulatory Capital Stock Held by Type of Member
(Dollar amounts in billions)

	Commercial Banks	Thrifts	Credit Unions	Insurance Companies	Other (1)	Total (2)
September 30, 2008	$31.1	$16.7	$3.1	$3.1	$4.6	$58.6
December 31, 2007	26.9	18.8	2.5	2.2	1.0	51.4

(1) The other category includes capital stock of members involved in mergers with non-members. Advances to a member involved in a merger must be repaid before or at maturity, if the surviving institution is a non-member institution. Until these advances are repaid, the former member must continue to hold capital stock to support these advances.

(2) Includes mandatorily redeemable capital stock, which is considered capital for regulatory purposes.

The holdings of commercial bank members at September 30, 2008 represented 53.0 percent of the total regulatory capital stock of the FHLBanks. The regulatory capital stock held by thrift institution members at September 30, 2008 represented 28.6 percent of the total regulatory capital stock of the FHLBanks.

Member Borrowers.

Member Borrowers

	Commercial Banks	Thrifts	Credit Unions	Insurance Companies	Total
September 30, 2008	4,569	961	497	76	6,103
December 31, 2007	4,253	938	432	52	5,675

The percentage of total members borrowing increased to 74.8 percent at September 30, 2008, as compared to 70.3 percent at December 31, 2007. The 124 borrowers with advance holdings of $1 billion or more at September 30, 2008 held 74.6 percent of total advances. The 101 borrowers with advance holdings of $1 billion or more at December 31, 2007 held 74.2 percent of total advances.

Advances at Par Value
(Dollar amounts in billions)

	Commercial Banks	Thrifts	Credit Unions	Insurance Companies	Other (1)	Total (2)
September 30, 2008	$535.8	$300.3	$43.5	$42.9	$80.9	$1,003.4
December 31, 2007	455.5	338.7	32.3	28.7	12.0	867.2

(1) The other category includes advances to housing associates and members involved in mergers with a non-member. Advances to a member involved in a merger where the surviving institution is a non-member must be repaid before or at maturity.

(2) Total advance amounts are at par value and will not agree to the Combined Statement of Condition. The differences between the par value and book value amounts primarily relate to basis adjustments arising from hedging activities.

The information presented on advances in the following table is for individual FHLBank borrowers. The data are not aggregated to the holding-company level. Some of the institutions listed are affiliates of

the same holding company, and some of the institutions listed have affiliates that are members but that are not listed in the table.

Top 10 Advance Holding Borrowers at Par Value at September 30, 2008 (Dollar amounts in millions)

Name	City	State	Advances (1)	Percentage of Total Advances
Citibank, N.A.* (2)	Las Vegas	NV	$ 83,528	8.3%
JPMorgan Chase Bank, N.A. (3)	Columbus	OH	78,999	7.9%
Countrywide Bank, FSB (4)	Alexandria	VA	43,475	4.3%
Wachovia Mortgage, FSB* (5)	North Las Vegas	NV	31,660	3.2%
Wachovia Bank, FSB (5)	Houston	TX	25,763	2.6%
Wells Fargo Bank, N.A. (5)	Sioux Falls	SD	24,850	2.5%
Bank of America Rhode Island, NA	Providence	RI	21,623	2.2%
Sovereign Bank* (6)	Reading	PA	18,647	1.9%
U.S. Bank, NA (7)	Cincinnati	OH	16,876	1.7%
Hudson City Savings Bank*	Paramus	NJ	16,775	1.7%
			$362,196	36.3%

* An asterisk indicates that an officer or director of the member was an FHLBank director at September 30, 2008.

(1) Member advance amounts and the total advance amounts are at par value, and the total advance amount will not agree to the Combined Statement of Condition. The differences between the par value and book value amounts primarily relate to basis adjustments arising from hedging activities.

(2) Includes $1 million in FHLBank of New York advances from the reorganization of Citibank, N.A., a former member of the FHLBank of New York and $1 million in FHLBank of Dallas advances from the merger of Citibank Texas, N.A., a former member of the FHLBank of Dallas, into Citibank, N.A.

(3) On September 25, 2008, JPMorgan Chase Bank, N.A., acquired the deposits, assets, and certain liabilities of Washington Mutual Bank and Washington Mutual Bank FSB's banking operations and assumed the advances outstanding from the FHLBank of San Francisco to Washington Mutual Bank ($63,283 million as of September 30, 2008) and the FHLBank of Seattle to Washington Mutual Bank FSB ($15,713 million as of September 30, 2008). Also includes $3 million in FHLBank of New York advances from the acquisition of Dime Savings Bank of New York, FSB, a former member of the FHLBank of New York.

(4) On July 1, 2008, Bank of America Corporation, a member of the FHLBank of Atlanta, completed its acquisition of Countrywide Financial Corporation, the parent of Countrywide Bank, FSB, which is also a member of the FHLBank of Atlanta. Countrywide Bank, FSB has remained a member of the FHLBank of Atlanta since the acquisition.

(5) On October 3, 2008, Wells Fargo announced that it would acquire Wachovia. Wachovia is the bank holding company of Wachovia Mortgage, FSB, which is a member of the FHLBank of San Francisco; Wachovia Bank, FSB, which is a member of the FHLBank of Dallas; and Wachovia Bank, National Association, which is a member of the FHLBank of Atlanta. Completion of the merger is subject to shareholder approvals by Wachovia and customary approval by regulators. The merger is expected to be completed in the fourth quarter of 2008. Wells Fargo is a nonmember and is the bank holding company of Wells Fargo Bank, N.A., a member of the FHLBank of Des Moines.

(6) Includes $575 million in FHLBank of New York advances from the acquisition of Independence Community Bank, a former member of the FHLBank of New York and $40 million in FHLBank of Boston advances from the acquisition of former members of the FHLBank of Boston.

(7) Includes $18 million in FHLBank of Des Moines advances acquired through a merger with a former member of the FHLBank of Des Moines and $2 million in FHLBank of Seattle advances from acquisition of a former member of the FHLBank of Seattle.

Housing Associates. At September 30, 2008, the FHLBanks had $246 million in advances outstanding to 19 housing associates, up from $149 million at year-end 2007. Housing associates eligible to borrow include 43 state housing finance agencies, 9 county housing finance agencies, 4 city housing authorities, 3 housing development corporations, and 1 tribal housing corporation.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Each FHLBank is a member-owned cooperative, whose members elect a majority of that FHLBank's directors from among its members. The FHLBanks conduct their advances and mortgage loan business almost exclusively with members. As a result, in the normal course of business, the FHLBanks regularly extend credit to members whose officers and/or directors may serve as directors of the FHLBanks. This credit is extended on market terms that are no more favorable to these "related" members than comparable transactions with other members of the same FHLBank. As of September 30, 2008, the FHLBanks had $259.1 billion of advances outstanding to members whose officers and/or directors were serving as directors of the FHLBanks. This represents 25.8 percent of total advances at par value at that date.

An FHLBank may also purchase short-term investments, Federal funds and mortgage-backed securities from members. All investments are market-rate transactions and all mortgage-backed securities are purchased through securities brokers or dealers.

The following is a discussion of recently announced transactions regarding certain significant FHLBank advance holders and stockholders.

Banking Operations of Wachovia to be Acquired by Wells Fargo. On October 3, 2008, Wells Fargo and Wachovia announced that they entered into a definitive agreement for the merger of the two companies including all of Wachovia's banking operations in a whole company transaction, in which Wells Fargo will acquire all of Wachovia and all its businesses and obligations, including its preferred equity and indebtedness, and all its banking deposits and that the completion of the merger is subject to shareholder approvals by Wachovia and customary approval by regulators. If FHLBank capital stock held by a member is transferred to a nonmember as a result of a merger or other transactions and termination of membership becomes certain to occur, the stock will be classified as mandatorily redeemable. Wachovia Mortgage, FSB, a subsidiary of Wachovia, is the FHLBank of San Francisco's third largest borrower and stockholder; Wachovia Bank, FSB is the largest borrower and shareholder of the FHLBank of Dallas; and Wachovia Bank, National Association is one of the FHLBank of Atlanta's largest borrowers.

FHLBank of Pittsburgh. On October 13, 2008, the FHLBank of Pittsburgh's largest member, Sovereign Bancorp, agreed in principle to be acquired by Banco Santander, S.A. The future effect of this acquisition to the FHLBank of Pittsburgh's loans to members portfolio is not known at this time.

FHLBank of Cincinnati's Member National City Purchase by a Company Headquartered Outside its District. In October 2008, PNC Financial Services Group, Inc. (PNC) announced its intention to purchase National City Bank. On September 30, 2008, National City was the FHLBank of Cincinnati's second largest stockholder at $404 million, the second largest advance borrower with current principal outstanding of $7,435 million, and the largest seller of loans in the MPP with the current unpaid principal balances of $4,820 million. PNC currently is not a member of the FHLBanks and is chartered outside the FHLBank of Cincinnati's district. At this point, National City is still a member of the FHLBank of Cincinnati. The FHLBank of Cincinnati does not know if National City's charter or membership in the FHLBank of Cincinnati will be terminated because of this purchase. However, if it is, the FHLBank of Cincinnati believes that losing National City's business will not materially affect the adequacy of its liquidity, profitability, ability to make timely principal and interest payments on its participations in consolidated obligations and other liabilities, or ability to continue providing sufficient membership value to its members. This assessment is similar to that which the FHLBank of Cincinnati made, and has subsequently experienced, when it lost one of its largest members (RBS Citizens, N.A.) in 2007 due to a consolidation of its charter outside the FHLBank of Cincinnati's district.

FHLBank of Indianapolis' Member LaSalle Bank Midwest, NA Merged Out of District. On October 1, 2007, ABN AMRO Holdings NV sold its North American bank holding company, the parent of LaSalle Bank Corporation and its subsidiaries, including the FHLBank of Indianapolis' member,

LaSalle Bank Midwest, NA (LaSalle) to Bank of America Corporation, which currently has no other bank charters in the FHLBank of Indianapolis district. As of October 17, 2008, Bank of America Corporation consolidated the LaSalle bank charter into a Bank of America Corporation charter located in another FHLBank district. Consequently, while LaSalle may continue to conduct business in Michigan, at this time the FHLBank of Indianapolis is no longer able to make additional advances to or purchase mortgage loans from LaSalle. However, the FHLBank of Indianapolis' current mortgage loans purchased from LaSalle and its affiliates of $3.624 billion, representing 40.8 percent of the FHLBank of Indianapolis' mortgage loans outstanding, at par, as of September 30, 2008, will remain outstanding until maturity or prepayment. The FHLBank of Indianapolis also is required to repurchase any outstanding capital stock owned by LaSalle by the later of five years after the date of termination of its charter in the FHLBank of Indianapolis' district or the repayment of all outstanding obligations to it. As of September 30, 2008, the FHLBank of Indianapolis held $5.000 billion par value of advances to LaSalle, which represented 16.5 percent of the FHLBank of Indianapolis' total advances, at par. LaSalle had a capital stock balance of $334 million as of September 30, 2008, which represented 14.0 percent of the FHLBank of Indianapolis' capital stock balance. In accordance with SFAS No. 150, *Accounting for Certain Instruments with Characteristics of Both Liabilities and Equity* (SFAS 150), as a result of its charter termination in the FHLBank of Indianapolis' district on October 17, 2008, LaSalle's capital stock has been reclassified as mandatorily redeemable capital stock and will be reflected as a liability.

Bank of America Corporation is exploring various options available that could enable it to continue to access FHLBank of Indianapolis products. At this time, the FHLBank of Indianapolis is unable to predict whether any such events will occur or, if such events do occur, their effect on its future operating results.

FHLBank of Chicago. On October 17, 2008, LaSalle National Bank, N.A. was merged into Bank of America, N.A. and became ineligible for membership as Bank of America, N.A. has its principal place of business in Charlotte, North Carolina. As of September 30, 2008, LaSalle Bank, N.A. held 8 percent of the FHLBank of Chicago's outstanding capital stock and 13 percent of the FHLBank of Chicago's outstanding advances. This capital stock will be reclassified to mandatorily redeemable capital stock in the fourth quarter.

FHLBank of San Francisco's Advances to IndyMac Bank Remain Fully Secured. On July 11, 2008, the Office of Thrift Supervision (OTS) closed IndyMac Bank, F.S.B. and appointed the FDIC as receiver for IndyMac Bank, F.S.B. In connection with the receivership, the OTS chartered IndyMac Federal Bank, FSB, and appointed the FDIC as conservator for IndyMac Federal Bank, FSB. IndyMac Federal Bank, FSB assumed the outstanding FHLBank of San Francisco advances of IndyMac Bank, F.S.B., and acquired the associated FHLBank of San Francisco capital stock. As of November 10, 2008, outstanding advances to IndyMac Federal Bank, FSB were $7.074 billion, the FHLBank of San Francisco capital stock held by IndyMac Federal Bank, FSB was $362 million; and the FHLBank of San Francisco had a perfected security interest in approximately $24.000 billion in mortgage loans (unpaid principal balance) and mortgage-backed securities (par amount). Because the estimated fair value of the collateral exceeds the carrying amount of the advances outstanding, and the FHLBank of San Francisco expects to collect all amounts due according to the contractual terms of the advances, no allowance for loan losses on the advances outstanding to IndyMac Federal Bank, FSB, was deemed necessary by management.

Three other smaller member institutions were also placed into receivership or liquidation during the third quarter of 2008. Two of these institutions had advances outstanding at the time they were placed into receivership. All of these advances have since been repaid, and no losses were incurred by the FHLBank of San Francisco. The remaining institution did not have any advances outstanding at the time it was placed into liquidation. In addition, three member institutions were placed into receivership in November 2008. These institutions had advances outstanding totaling $3,843 million at the time they were placed into receivership. As of December 2, 2008, one of these institutions had repaid its advances outstanding, while the other two institutions had advances outstanding totaling $2,625 million. No losses were incurred by the FHLBank of San Francisco.

FHLBank of San Francisco's Member Washington Mutual Bank Acquired by JPMorgan Chase. On September 25, 2008, the FDIC was appointed receiver for Washington Mutual Bank. In connection

with the receivership, JPMorgan Chase Bank, National Association, a nonmember, assumed Washington Mutual Bank's outstanding FHLBank of San Francisco advances and acquired the associated FHLBank of San Francisco's capital stock, which became mandatorily redeemable. As of the receivership date, Washington Mutual Bank was the FHLBank of San Francisco's second largest borrower and stockholder, and JPMorgan Chase Bank, National Association, is the FHLBank of San Francisco's second largest borrower and stockholder. JPMorgan Chase Bank, National Association, remains obligated for all of Washington Mutual Bank's outstanding advances and continues to hold the FHLBank of San Francisco's capital stock it acquired from the FDIC as receiver for Washington Mutual Bank. On October 24, 2008, JPMorgan Bank and Trust Company, National Association, as affiliate of JPMorgan Chase Bank, National Association, became a member of the FHLBank of San Francisco.

FHLBank of Seattle's Member Washington Mutual Bank, FSB Acquired by JPMorgan Chase. On September 25, 2008, in a transaction facilitated by the FDIC, Washington Mutual Bank, FSB was acquired by JPMorgan Chase, a non-member. In early October 2008, JPMorgan Chase notified the FHLBank of Seattle that it had merged Washington Mutual Bank, FSB into a non-member entity, JPMorgan Chase Bank, N.A. that assumed the fully collateralized, related advances and capital stock of the FHLBank of Seattle. Effective October 7, 2008, the FHLBank of Seattle reclassified Washington Mutual Bank, FSB's membership to that of non-member shareholder that is no longer able to enter into new borrowing arrangements with the FHLBank of Seattle and transferred its $163.9 million in Class A stock and $750.8 million in Class B stock to mandatorily redeemable capital stock on the Statement of Condition.